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Evaluating the effects of the structural labour market reforms on collective bargaining in Greece

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and Working Conditions Branch

***Evaluating the effects of
the structural labour market reforms
on collective bargaining in Greece***

by Aristeia Koukiadaki and Damian Grimshaw

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1. Introduction

Since the onset of the sovereign debt crisis, Greece has experienced extensive changes in its system of labour law and industrial relations. Structural reforms in the labour market have been explicitly required by the institutions representing Greece's official creditors, namely the European Central Bank (ECB), European Commission (EC), International Monetary Fund (IMF) and the European Stability Mechanism (ESM),¹ in return for three loan agreements provided to avert a default of the country on its sovereign debt. Aside from requiring extensive fiscal consolidation and labour market reforms in the public sector, the 'structural labour market reforms' accompanying the loan agreements sought to amend the system of wage determination and collective bargaining in the private sector (Ioannou 2012a). The present government, when first elected in January 2015, committed to a series of measures designed to restore the institutions and mechanisms governing collective bargaining. The commitments included, among others, changes in the rules governing the extension and after-effect period of collective agreements as well as arbitration.²

Following the agreement for a third loan programme of €86 billion that was concluded in July 2015, the Greek authorities agreed to *'undertake rigorous reviews and modernization of collective bargaining, industrial action and, in line with the relevant EU directive and best practice, collective dismissals (...)* On the basis of these reviews, labour market policies should be aligned with international and European best practices (...)' (European Council 2015). In the Memorandum of Understanding (MoU) signed with the European Commission, the Greek government committed to the following:

'[to] launch by October 2015, a consultation process led by a group of independent experts to review a number of existing labour market frameworks, including collective dismissal, industrial action and collective bargaining, taking into account best practices internationally and in Europe. Further input to the consultation process described above will be provided by international organisations, including the ILO. The organization, terms of reference and timelines shall be agreed with the institutions. Following the conclusion of the review process, the authorities will bring the collective dismissal and industrial action frameworks and collective bargaining in line with best practice in the EU. No changes to the current collective bargaining framework will be made before the review has been completed. Changes to labour market policies should not involve a return to past policy settings which are not compatible with the goals of promoting sustainable and inclusive growth.'

The present report assesses the social and economic impact of the changes in the regulatory framework of collective bargaining in Greece.³ In assessing the impact at firm, sectoral and cross-sectoral level the report seeks to identify what arrangements can be compatible with the goals of promoting sustainable and

¹ For ease of reference, the report will make reference thereafter to the 'institutions representing Greece's official creditors, EC, IMF, ECB and ESM. It is important to note here that the first loan agreement was negotiated between the Greek authorities and the European Commission, acting in liaison with the ECB and the IMF, on behalf of the euro area Member States. The second loan agreement involved the European Financial Stability Facility (EFSF), a Luxembourgish public limited liability company incorporated by the 16 countries sharing the euro in 2010 and was created following the decisions taken on 9 May 2010 within the framework of the Ecofin Council and the institutions representing the official creditors remained the same (these were the EC, the ECB and the IMF). The third loan agreement involved for the first time the European Stability Mechanism (ESM).

² Legislation proposal by the Parliamentary Group of Syriza on the re-instatement of the national minimum wage and the legislation on collective bargaining and collective labour agreements (2014).

³ The ILO Right to Organize and Collective Bargaining Convention (No. 98), 1949 describes collective bargaining as 'voluntary negotiation between employers or employers' organisations and workers' organisations, with a view to the regulation of terms and conditions of employment by collective agreements.' The present report adopts this definition and does not deal, unless directly relevant for collective bargaining, with the wider issue of social dialogue. In addition, the report focuses on collective bargaining in the private sector and as such does not cover the developments in the public sector.

inclusive growth. Methodologically, the report has been compiled by relying on a number of tested desk-based and empirical research tools utilizing published quantitative data, mining our existing qualitative data and conducting new empirical research in the service sector. The report builds on a legal analysis of primary and secondary sources, a state-of-the-art review of economics and comparative industrial relations research, a quantitative (descriptive) analysis of collective agreements, analysis of interview data with key informants plus documentary material at sectoral/occupational level, and original case-study evidence at company level (box 1.1). In parts, the report relies on and updates research already conducted by the team on the crisis-related measures affecting labour market regulation and their potential implications for joint regulation via collective bargaining.⁴

Box 1.1. Summary of qualitative data used in this report

This report draws on a number of interviews with practitioners operating at national and sectoral levels representing the state, employers' associations and trade unions with responsibility for collective bargaining in the manufacturing and services sectors. These interviews are complemented by a range of case studies in the manufacturing, retail, hotels, restaurants, confectionary and other services sectors (see table 1.1).

Table 1.1. Details of interviews

Social partners at national and sectoral levels⁵	No. of interviews
National level	
General Confederation of Greek Workers (GSEE)	5
Hellenic Federation of Enterprises (SEV)	3
Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE)	5
National Confederation of Commerce and Entrepreneurship (ESEE)	3
Greek Tourism Confederation (SETE)	1
Sectoral level	
Hellenic Federation of Metalworkers and Clerical Staff (POEM)	2
Federation of Private Employees of Greece (OIYE)	3
Pan-Hellenic Federation of Catering Employees – Tourism Profession Employees (POEE-YTE)	3
Pan-Hellenic Federation of Hotel Owners (POX)	1

⁴ The editors of the report are Aristeia Koukiadaki (University of Manchester) and Damian Grimshaw (University of Manchester). Input was provided by Christos Ioannou. The editors would like to thank Susan Hayter and Kostas Papadakis for their advice and feedback during the preparation of the report. The research assistance provided by Chara Kokkinou and the views and comments shared by Paul Marginson and Jelle Visser are also acknowledged. Finally but equally importantly, the editors would like to thank all the interviewees for the time and support they provided for the research. For previous research in this area, see Koukiadaki and Kokkinou 2016a and b.

⁵ In addition, relevant data from interviews from previous projects has been used here (European Commission project number VS/2013/0409 and European Commission project number VS/2014/0534). In the context of these projects, interviews had been carried out with the following organisations: Labour Inspectorate (SEPE), Panhellenic Federation of Craftmen of Aluminium (POVAS), Hellenic Retail Business Association (SELPE), Association of Temporary Employment Agencies (ENIDEA), OVES (Federation of Industrial Workers' Union), Hellenic Federation of Milk, Food and Drinks Workers and Employees, Panhellenic Federation of Silver and Goldsmiths, Jewellers and Watchmakers (POVAKO), Singe Federation of Automobile, Machine and Motorcycle Repair Craftsmen (EOVEAMM), Association of Food Industries (SEVT) and Ministry of Labour and Social Security.

Table 1.2. Details of case studies

	No. of cases	Company size:			No. of interviews:	
		Large	Medium	Small	Employer	Union
Manufacturing:						
Metal sector	6	1	1	4	8	2
Food sector	4	1	1	2	4	3
Services:						
Hotel sector	1		1		1	1
Retail sector	2	1	1		3	2
Retail & Other services sector	1	1			1	
Other services sector	3	2		1	3	7
Restaurants sector	2	1	1		2	3
Confectionary sector	1			1	1	

In total, 10 case studies were conducted in the manufacturing sector, six in the metal sector and four in the food sector, each comprising a mix of large, medium and micro-sized companies. In all cases (apart from the micro companies where only employers were interviewed), interviews were carried out with both employer and employee representatives. 10 case studies were conducted in five areas of the service sector. These involved one hotel, two retail companies, and one company case study where both the retail and other services sector agreements used to apply. We also conducted three company case studies in the 'Other services' sector, two case studies in restaurants and one in confectionary. With the exception of two cases in the service sector, where we were only able to interview someone from the employer side, all other cases included interviews with both sides.

The structure of the report is as follows. Section 2 critically assesses the changes in the regulatory framework affecting collective bargaining in Greece since the start of the crisis in 2008. Particular attention is paid here to the changing pattern of legal/institutional incentives that enable or hinder the capacities of social partners to achieve consensus via collective bargaining and how this departs from the pre-crisis legal/institutional model of collective bargaining. Section 3 evaluates the literature on the relationship between collective bargaining systems, wage levels and competitiveness of firms, sectors and national economies, taking into account recent work in the fields of economics and comparative industrial relations on the relationship between bargaining and company performance. Particular attention is devoted to the recent claims firstly that both the bargaining level and the degree of vertical coordination between levels matters for efficacy and secondly that the efficacy of coordinated sector and multi-level systems is higher than for all other forms of bargaining.

Sections 4, 5 and 6 then present the findings of the empirical study. Section 4 discusses the findings from the national, sectoral interviews and company case studies and provides a detailed survey of the changing landscape of collective bargaining in Greece on the basis of current developments in the manufacturing and service sectors: in manufacturing the focus is on the food and metal industries; in services, the focus is on retail, restaurants and hotels. Section 5 then provides available up-to-date data on the effects of collective bargaining on wage determination at sectoral/occupational and company levels, as influenced by the new regulatory framework. Section 6 considers the case-study evidence for the outcomes of collective bargaining for sectors, firms and workers. The report concludes with an overall evaluation of the institutional design of relevant legislation and its effectiveness in achieving a balance between the

economic prerogatives of companies, their impact on employment and working conditions and future prospects for sustainable and inclusive growth.

2. Reviewing the legal and institutional reforms of collective bargaining

In this section, we critically assess the changes in the regulatory framework affecting collective bargaining in Greece since the start of the crisis in 2009-2010. Particular attention is paid here to the changing pattern of legal/institutional incentives that enable or hinder the capacities of social partners to achieve consensus via collective bargaining. In this context, the following features of the current system will be explored: extension mechanisms; mediation and arbitration rules; rules on duration and after-effect periods of collective agreements; actors' capacities to conclude collective agreements; and the scope for company-level decentralization and articulation with higher-level agreements. One of the purposes of this section is also to set out the extent to which the current regulatory framework departs from the pre-crisis legal/institutional model of collective bargaining. The scale of change and the associated implications for the range of possible equilibria between the bargaining parties in terms of incentive structures sets the context for subsequent sections of this report that address the effects on wages, working conditions and the competitiveness of firms, sectors and the national economy. The analysis in this section will thus provide data that will enable comparisons to be drawn between the legal context and its social impacts later in the report.

On the basis of the analysis in this section, a number of observations can be made. From a procedural point of view, the manner in which the measures were adopted, in such a compressed and short period of time, meant that establishing a more comprehensive approach to gains and concessions was structurally limited due to this emergency-driven measure process. Further, as a result of the absence of social dialogue, the introduction of measures affecting collective bargaining had the potential to lead to disruptive rather than incremental forms of 'regulatory' innovation (Streeck and Thelen 2005), increasing the risk that the measures would contrast with core features of the economic system. Indeed, there is evidence to suggest that from a substantive point of view, the promotion of structural labour market measures became associated with a fundamental shift in the policy on collective bargaining, i.e. from supporting collective bargaining during the 1990s as a 'public good' to policies designed to reduce the regulatory function of collective bargaining (e.g. reducing the regulatory function of inter-sectoral collective bargaining, suspending the operation of extension mechanisms and the favourability principle, allowing company-level derogations including by non-union representation channels). The European Commission in fact recognised recently that *'Greece was at the top of the countries in adopting measures that decreased the stringency of labour market regulations'* (European Commission 2014: 49).

In this respect, it is possible to distinguish three categories of measures (Marginson 2015). The first refers to the reduction of the coverage of collective bargaining, including restricting/abolishing extension mechanisms and time-limiting the period of which agreements remain valid after expiry. The second concerns bargaining decentralisation and includes any measures related to the abolition of national, cross-sectoral agreements, according precedence to agreements concluded at company level and suspending the operation of the favourability principle, and introducing new possibilities for company agreements to derogate from higher level agreements or legislation. The third category refers to weakening trade unions' prerogative to act as the main channel of worker representation. The wide-ranging and sweeping nature of the changes meant that the extent to which these departed from the pre-crisis legal/institutional model of collective bargaining was particularly pronounced and had the potential to lead the Greek system of collective bargaining onto a different regulatory trajectory, one that is closer to the model of absent or single employer bargaining of the UK and the majority of the Central and Eastern European countries (Schulten and Müller 2014), undermining simultaneously the core informal resources of the economic

system, that is informal trust relations, which require a stable and predictable environment, especially in Small and Medium Enterprises (SMEs) (Meardi 2012).

2.1. The legal and institutional framework for collective bargaining in the pre-crisis period

In the pre-crisis period, legal norms, resulting from the statutory codification of labour standards, permeated the operation of all basic institutions of industrial relations, including collective bargaining. The 1990s were a pivotal point in time for collective bargaining. Law 1876/1990 was introduced to promote collective autonomy and contain the dominant, until then, role of the state in the industrial relations system. It was adopted during the coalition government in 1990 by unanimous agreement of all political parties, as well as the representatives of the social partners, which at that time were the General Confederation of Greek Labour (GSEE) and the three employer organisations (SEV, ESEE and GSEVEE) (see box 2.1).

Box 2.1. The social partners in Greece

Social partners in Greece are the most representative top level organisations of employers and workers who are signatories of the National General Collective Labour Agreements (EGSSEs) and are the following:

Workers' side:

The General Workers' Confederation of Greece (GSEE) was founded in 1918 and is the only tertiary level trade union representing wage workers in private law employment relationships who are employed either in the private or in the public sector. GSEE is a confederation of secondary level trade union organisations, comprising of inter-sector or inter-professional Federations and Labour Centres which are regionally based. The trade union movement reflects severe organisational fragmentation. At the base are the primary level unions with the majority operating at company level; some are also sectoral or occupational-level unions.

Employers' side:

The Hellenic Federation of Enterprises (SEV) was founded in 1907, initially representing the big industrial firms but over the years has evolved and now actually represents the big companies independently of sectors. SEV has individual companies as members, but also includes local and sectoral organisations of employers. It is a member of BUSINESSEUROPE and the International Organisation of Employers (IOE).

The Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) was founded in 1919 and is the national-level organisation representing SMEs mainly in small industry and in a part of commerce. It comprises 90 federations (at local and sectoral level), with 120,000 individual companies as members. GSEVEE is a member of the European Association of Craft, Small and Medium-sized Enterprises (UEAPME).

The Hellenic Confederation of Commerce and Entrepreneurship (ESEE) was founded in 1994 and is the national-level organisation representing mainly the SMEs in commerce. ESEE represents 14 federations of traders' unions, most of them of local nature and 283 local traders' associations with almost 90,000 member companies. ESEE is an affiliated member both of UEAPME and EuroCommerce.

The Association of Greek Tourism Enterprises (SETE) was founded in 1991 and consists of 14 national sector-level associations, representing more than 50,000 enterprises including small and large hotels, rented accommodation, travel and tourist agencies, car and boat renting businesses, tourist buses, marina holdings, coastal shipping enterprises, catering chains, and conference organisers. The institutional recognition of SETE as a national social partner equal in rank with the other representative employer organisations took place in 2013.

Source: Eurofound.

The legislation, which institutionalised bargaining at company-level, sectoral as well as national and local-level occupational levels, was centred on a multi-level system of collective agreements, each with differing applicability. Sectoral-level and occupational-level agreements could be extended and rendered compulsorily applicable to all employees. The Minister of Labour and Social Security could extend and declare as binding on all the employees of a sector or profession a collective agreement that was already binding on employers employing more than 51% of the sector's or profession's employees.⁶ The national general collective labour agreement (EGSSE) stipulated the minimum terms of employment for all persons (box 2.2).

Box 2.2. The national general collective labour agreement (EGSSE)

The contractual parties to the EGSEE have traditionally included the Hellenic Federation of Enterprises (SEV), the Greek General Confederation of Labour (GSEE), the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) and the National Confederation of Hellenic Commerce (ESEE). Since 2012, the Association of Greek Tourism Enterprises (SETE) also joined the agreement. The function of the EGSSE was traditionally to ensure a minimum wage safety net at national level, including for unskilled workers, who were not covered by sectoral or other collective agreements. The minimum wages and minimum working conditions stipulated under the EGSSE were applicable to all workers under a private law employment contract throughout the country, regardless of whether they were members of a trade union.

The salary laid down in the EGSSE comprises of the base salary and two additional allowances: the seniority allowance and the marriage allowance. The seniority allowance consists of a raise on the base salary for every three years of previous service (not necessarily at the same company). The marriage consists of a raise on the basic wage, and is granted to employees who are married, divorced, widowers, or single parents. A large part of the provisions of collective agreements are those that deal with the reconciliation of family and working life. The provisions related mainly to the establishment and/or increase in duration of various special leaves (e.g. maternity leave, marriage leave, breastfeeding and care giving, care of adopted children, care of dependants, participating in exams, etc.).

Source: Yannakourou and Soumeli (2004), updated.

Traditionally, it was the case that employers and employees could improve upon the level of protection at the industry and occupational levels of collective organization, depending on the specific capabilities and needs at a given time. The main axis of these different levels of regulatory mechanisms was a strict hierarchy of bargaining levels on the basis of a 'favourability principle'. If bargaining between the parties to conclude a collective agreement failed, interested parties had the right to a system of arbitration administered by the Organisation for Mediation and Arbitration (OMED) (table 2.1).⁷

⁶ The Greek Council of State in its case law before the crisis had held that the extension mechanism serves the public interest and the cohesion of the collective bargaining system (Council of State Decision 3050/1984; Council of State (Plenary Session) Decision 4555/1996).

⁷ Article 16(1) of Law 1876/1990. Concerns were expressed by the ILO in respect of this aspect of the Greek system of collective bargaining (ILO 2012, paras 246-250).

Table 2.1. Main features of the collective bargaining system in Greece pre-crisis

• Employees' representatives entitled to conclude collective agreements	Trade unions only
• Employees covered by collective agreements	Only employees who belong to the parties signatory to the agreement (e.g. trade union members)
• Extension procedures or equivalent	Yes
• Importance of bargaining levels	Inter-sectoral: bargaining on national minimum wage; Sectoral: dominant level of wage bargaining; Company: present but not dominant
• Collective bargaining coverage	60-70%
• Influence of tripartite concentration	No
• Tripartite consultation on national minimum wage	No
• Vertical relationship between different bargaining levels	Dominance of sectoral bargaining with some company bargaining and a bipartite inter-sectoral agreement on the national minimum wage and some other aspects of employment conditions Strict hierarchy of bargaining levels on the basis of a 'favourability principle'.

Source: Schulten (2005).

Criticisms were mounted against specific features of the collective bargaining system. A first issue concerned the problem of '*asymmetry*' in arbitration: this involved the right of trade unions to have recourse to arbitration where they had accepted a proposition by the mediator, which was rejected by the employer. This feature of the arbitration system was seen by SEV as favouring excessively the employee side.⁸ During the 1992-2008 period, arbitration decisions were the basis for one in four occupational and sectoral agreements and for one in 20 enterprise collective agreements (Ioannou, 2012b: 897). The arbitration system was also said to exhibit a '*shadow effect*' in terms of the substance of bargaining, as it restricted voluntary negotiations to a set of traditional bargaining issues (mostly wage issues) and did not allow the development of dialogue regarding a wider set of issues around competitiveness and economic growth.⁹ From a procedural point, the pre-crisis process of arbitration was questioned in respect of the lack of adequate reasoning and of expertise on the part of the arbitrators.¹⁰

On the other hand, the role of arbitration was seen as a means of addressing two issues. The first was the *lack of employee representation in the private sector* that would act as an effective mechanism for the determination of wages and other terms and conditions of employment. In this respect, the arbitration system acted, in effect, as a mechanism to promote inclusiveness in the labour market. The second issue concerned the *high share of small and medium-sized enterprises* in the Greek economy where trade unions have been traditionally absent: in this case, the arbitration system was seen as a means for protecting the economy from the development of unfair competition practices between firms and promoting thus a more sustainable form of competition.¹¹ The unilateral right to arbitration was deemed compatible with the principle of equality of the Greek Constitution by the Supreme Court of Greece,¹² on the basis that it provided both parties with possibilities for balancing their opposing interests in the sake of industrial

⁸ SEV, interview notes.

⁹ SEV, ESEE and GSEVEE, interview notes.

¹⁰ ESEE and GSEVEE interview notes.

¹¹ OIYE, interview notes.

¹² Areios Pagos, Decision 25/2004.

peace. At the same time, emphasis was placed on the proviso that resort to arbitration only takes place following the exhaustion of all efforts for a conciliatory resolution of the dispute.¹³

On the employer side, two further issues were raised by interview respondents. The first was the *interplay in the application of sectoral and occupational-level agreements*. While the 1990 legislation gave priority to sectoral agreements, certain occupational agreements continued to operate, hindering the scope for bargaining coordination at sectoral level, which was deemed to be the most appropriate level for ensuring an efficient matching between wage developments and the growth of the sectors.¹⁴ In other words, the case of occupational agreements illustrated the divergence found rather often in industrial relations systems between *de jure* and *de facto* standards: while occupational agreements had *de jure* less priority than sectoral agreements, they *de facto* operated with them, leading to complications for bargaining coordination. An associated issue in this respect concerned the application of a range of allowances, originating in occupational agreements, which would then find their way into the sectoral agreements.¹⁵ The second issue for employers concerned the ‘inability’ of Law 1876/1990 to provide for wage adjustments.¹⁶ The multi-level system of bargaining was seen as fostering only upward wage flexibility since negotiations at more decentralized levels were not allowed to worsen already attained outcomes (Daouli et al., 2013). Box 2.3 summarises the standard characterisation of the Greek economic system.

Box 2.3. The standard conceptualisation of the Greek economic system

Greece has been traditionally presented as an example of a ‘mixed market economy’ (Molina and Rhodes 2007) or a ‘Southern European Capitalism’ (Amable 2003) in the Varieties of Capitalism (VoC) approach (Hall and Soskice 2001). Key characteristics of the model include, among others, the highly influential role of the state as a regulator and producer of goods, lack of efficient coordination in collective bargaining, numerous domestic veto points that can potentially oppose domestic reform, strong employment protection and a welfare system that is weak, fragmented, unevenly developed and subject to politicization and clientelism.

The key characteristics of the Greek economy are the following:

- The structure of the economy is marked by very few large enterprises and very many micro- and small-firms and this has multiple consequences for the state’s role in the economy and for interest mediation;
- The employment structure reflects this pattern (which is a consequence of Greece’s late industrialisation). The structure is based on:
 - The importance of services, the disproportionate size of agriculture and the relatively low importance of industry;
 - Low rates of female employment; low numbers of part-time workers; and a very high percentage of unemployed;
 - A problem of long-term structural unemployment, with relatively high numbers unemployed for a prolonged period and high youth unemployment.
- Union voices favour the public sector, whilst business representation is skewed towards the few large corporations rather than the myriad of very small enterprises;
- The Greek market exhibits an ‘insularity’ -statism and protection, cheap labour and a problem of law compliance:
 - Labour costs, relative to hours worked, are comparatively low;

¹³ Supreme Court Decision 25/2004; Council of State 3204/1998; Council of State 4555/1996.

¹⁴ SEV and ESEE, interview notes.

¹⁵ SEV and ESEE, interview notes.

¹⁶ SEV, ESEE and GSEVEE, interview notes.

- International comparisons of competitiveness, the extent and quality of state regulation, and burdens on doing business indicate structural disadvantages;
- The size of the black economy (informal sector) is exceptionally high.
- The effectiveness and efficiency of the Greek state is comparatively low, undermining the capability to deliver public goods:
 - The size of government administration, as a proportion of GDP, is relatively high in international comparisons;
 - International measures of government effectiveness show Greece scoring relatively low.
- Perceived corruption and tax evasion is very high, undermining competition and the effective delivery of public services and functions:
 - Greece scores poorly on comparative international indices of corruption;
 - Irregular payment by businesses in tax collection is reportedly one aspect of the problem of corruption.
- State spending on social protection is relatively high, but skewed, reflecting prevailing political interests as well as the availability of resources:
 - Public expenditure on social provision, as a percentage of GDP, has increased over the long-term and compares favourably with other EU states;
 - However, the coverage of state provision is relatively limited: that spent on families is low whilst the cost to the state of pensions is high;
 - Other provision is patchy: unemployment benefit is low and limited in scope and duration

Source: Featherstone (2008)

Despite these arguments, it was accepted that the level of labour costs in the pre-crisis period was rather a ‘*symptom of the increase of available income in the economy in general*’ than the primary cause of the crisis that emerged in Greece in 2009. As such, any wage reduction would only have a short-term effect on the economy.¹⁷ In relation to the ‘domino effect’ that collective bargaining exhibited according to employers, a former Minister of Labour noted:

*Some employers took advantage of the entry of the country in the Eurozone and considered that they could increase their prices, which then led to large increases in a range of products and services and therefore forced unions to demand higher increases in earnings. This took place without any improvements in productivity, however [...] Overall, I do not think that the regulatory framework of industrial relations that existed in the period before the crisis was problematic. But by the time the crisis came and there was a need for internal devaluation to restore our international competitiveness, it became necessary to proceed to reforms.*¹⁸

In practice, the system of collective bargaining pre-crisis was relatively stable in terms of its structure, coverage and operation in practice. The industrial relations actors at national general and national sectoral level were in agreement in respect of supporting the operation of multi-level bargaining and acknowledged simultaneously scope for improvement in terms of promoting more effectively vertical and horizontal coordination.¹⁹ During the period 1990-2008, the structure of collective agreements included (on top of the national general collective agreement) around 100 sectoral agreements, 90 occupational level agreements and 150 company-level agreements on average. The number of sectoral agreements remained stable throughout the period, providing some evidence that they were at the centre of the collective bargaining structure (Ioannou, 2011). In the sectors investigated for this report, some high-level collective agreements were the outcome of voluntary negotiations (including, among others,

¹⁷ SEV, interview notes.

¹⁸ Former Minister of Labour, interview notes.

¹⁹ ESEE, GSEVEE, SEV, SETE and GSEE interview notes.

retail and parts of HORECA (i.e. hotels)), with some evidence of dependence on arbitration in the case of the agreements covering other service-sector employees,²⁰ restaurants and confectionary production. Further, the character of bargaining, mostly at inter-sectoral but also in some sectors, was considered by both employers and unions to be cooperative and not adversarial.²¹ However, the pre-crisis fragmentation of institutions promoting concertation, the frequent changes in governments and the impact these had on regulatory priorities and strategies, the lack of trust between the government and the industrial relations actors and the reliance of actors instead on informal mechanisms of coordination impacted to some extent upon the capacity for cooperation and coordination with a view to expanding particularly the content of social dialogue to address new issues (Yannakourou, 2015; see also Aranitou 2012).

Owing to the use of extension mechanisms, collective agreements would normally cover all employees in the sectors/occupations where higher-level agreements were concluded. In 2006, it was estimated that the various collective agreements covered 70% of workers (European Commission, 2006).²² In terms of horizontal coordination, the lack of a strong export sector and the distinctiveness of the Greek economy in terms of the dominance of SMEs spread across a variety of sectors meant that there were challenges in respect of bargaining coordination. These were amplified as a result of lack of government action, union fragmentation owing to political divisions but also divisions among employers, especially between associations representing large employers and those representing SMEs. However, evidence of effective coordination was provided, especially in sub-sectors of manufacturing, which were characterised by a small number of large companies with sophisticated HR departments (e.g. tobacco, large metal and cement production). In this respect, the operation of the extension mechanisms was seen as promoting bargaining coordination, albeit with some limitations due to the complex interplay between the sectoral and occupational-level agreements.²³

In terms of vertical coordination, the institutionalized option of *in melius derogation* allowed scope for the bargaining of terms and conditions at a higher standard than those bargained at higher (that is, sectoral or occupational) level. In certain sectors (e.g. hotels and retail), regional sectoral collective agreements were also concluded to fix wage levels and other terms and conditions designed to address the specificities of the regions. However, at company-level, the limited incidence of within-company trade union organisation hindered the task of inspecting the implementation of the higher-level collective agreements at company-level (Tikos 2009) and complicated the conclusion of company-level collective agreements that would build on the content of higher-level agreements.²⁴ Indeed, the practice of company-level agreements in the pre-crisis period was almost non-existent, with the exception of the manufacturing sector and a limited number of companies in other sectors (mostly in hotels and retail), which used to record greater profits.²⁵ Crucially, it was mostly large companies that would be more likely to use company-level bargaining to improve upon the terms of higher-level agreements. As such, sectoral and occupational-level agreements provided the main regulatory framework for the determination of wage levels and other employment issues at company level, including importantly for the large number of

²⁰ The fragmentation of employer organisation in the service sector (there were 17 separate associations representing service sector employers) hindered the development of voluntary negotiations for the conclusion of an agreement at sectoral level. Against this context, the arbitration system was used to provide a solution to the lack of an agreement covering the service sector. In the period 2005-2010, 4 arbitration decisions were issued in respect of collective agreements in the service sector (in 2005, 2006, 2008 and 2010). The legitimacy of the arbitration decisions rested in this case, according to the union, on the fact that recourse to arbitration was sometimes supported by some employer associations and that the function of the agreement was never challenged by the employers (OIYE, interview notes).

²¹ ESEE, POX and OIYE, interview notes.

²² Visser put the bargaining coverage at a higher level, i.e. 80% (Visser 2015).

²³ SEV, interview notes.

²⁴ Importantly, the Greek system of industrial relations has been traditionally characterised by low levels of trade union density: in 2006, union density was estimated at around 20% in manufacturing, 14% in services and 36% in the public administration and social services (European Commission, 2006).

²⁵ POX and OIYE, interview notes.

SMEs that have traditionally dominated the economy in Greece. In relying on higher-level agreements, employers (in particular SMEs) were able to shelter themselves from the operation of trade unions at company level. The preservation of paternalistic relationships with the workforce and the reduction of transaction costs that would arise out of company-level negotiations were also important parameters in our case studies (e.g. SMEs in the metal sector and Confectionary Production & Retail Co). Further, employers' associations at both national and sectoral levels recognised the positive effects of higher-level bargaining in providing regulatory stability, limiting the risk of adversarialism and the regulatory costs in respect of monitoring compliance.²⁶

Overall, the Greek system of industrial relations in the pre-crisis period constituted a *sui generis* approach to collective bargaining. Similar to other industrial relations systems in Europe, it was centred on the concept of multi-level bargaining, this being complemented by the operation of extension mechanisms and the favourability principle (as in other countries, e.g. France, Finland, the Netherlands). In this context, the involvement of the social partners in the determination of the minimum wage rates was consistent with practice in other European countries as well (e.g. Belgium). At the same time, one of the most important specificities of the Greek system was the way the notion of collective autonomy had evolved over the years and the way this related to state intervention. The interplay between collective autonomy and state intervention reflected the promotional role that the state had to develop early on to deal with the fact that Greece was a relatively recent democracy with high levels of conflict and low trust relations in the society, including between the industrial relations actors. It was also necessary against the context of the fragmentation of business interests that arose as a result of the particularities in the structure of the Greek economy. In this light, the interplay between collective autonomy and state intervention was thus intended to facilitate the settlement of industrial conflict and to regularise patterns of industrial relations in Greece.

2.2. 'Structural labour market reforms' affecting the legal and institutional framework for collective bargaining during the crisis²⁷

Following Greece's inability to access international bond markets and in order to avert a default on its sovereign debts, the then Greek government agreed in May 2010 a loan to be advanced jointly by Eurozone states and the IMF. In return for this, it was agreed that the institutions representing Greece's official creditors (EC, IMF, ECB and ESM)²⁸ would prepare and oversee a programme of fiscal consolidation and 'structural reforms'. The Memorandum of Economic and Financial Policies (MEFP) contained in addition to fiscal reforms, which were the cornerstone of the programme, structural policies to strengthen labour markets and income policies:

'[I]n line with the lowering of public sector wages, *private sector wages need to become more flexible* to allow cost moderation for an extended period of time. Following consultation with social partners and within the frame of EU law, the Government will *reform the legal framework for wage bargaining* in the private sector, including by *eliminating asymmetry in arbitration*. The Government will adopt legislation for *minimum entry level wages* in order to promote employment creation for groups at risk such as the young and long-term unemployed. In parallel, the Government will implement the new *control system for undeclared work and modernize labor market institutions*. Employment protection legislation will be revised, including provisions to extend probationary periods, recalibrate rules governing collective dismissals, and facilitate greater use of part-time work. The scope for

²⁶ ESEE, GSEVEE, POVAS and EOVEAMM, interview notes.

²⁷ In brief, the main changes in the legal system governing collective bargaining and collective agreements took place in 2010 (Law 3845, Law 3871, Law 3899), in 2011 (Law 4024), in 2012 (Law 4046, Ministerial Council Act 6/28-2-2012,), in 2013 (Law 4172), in 2014 (Law 4254, Law 4303) and in 2015 (Law 4336).

²⁸ The ESM was added as a creditor institution in the third loan agreement.

improvements in the targeting of social expenditures will be revised in order to enhance the social safety net for the most vulnerable.’ (emphasis added)

To that end, the May 2010 programme by the European Commission called the government to launch a social pact to *‘forge consensus’* with the social partners in order to obtain coordinated *‘decentralization of wage bargaining (to allow the local level to opt-out from the wage increases agreed at the sectoral level)’* (European Commission, 2010: paragraph 31). But, in contrast to other countries, e.g. Portugal and Ireland (Koukiadaki and Kokkinou 2016a and 2016b), there was no consultation with the social partners over the measures associated with the first loan agreement. The Greek government justified the absence of consultation on the basis that *‘it was not possible to accommodate participatory methods when Greece was about to default on its loans’* (ILO 2011: 27).²⁹ Instead, there was some evidence of interest aggregation being biased towards the interests of large firms, which captured informally the regulatory process.³⁰ On the part of the national social partners, evidence of cleavages was provided in respect of the employers’ associations, with some associations (including ESEE and GSEVEE) maintaining their support for the national general collective agreement and sectoral collective agreements and SEV feeling that there was increasing pressure on the ability to maintain the extension mechanisms (ILO 2011: 38). On its part, GSEE expressed significant concerns about the implications of the commitments of the government for ‘structural labour market reforms’ for collective agreements, the freedom of association and the role of trade unions in the industrial relations system (ILO 2011: 29).

In the context of the programme, it was identified that the *priority ‘was to improve productivity and ensure that remuneration was aligned to it. In order to achieve this, Greece was faced with two choices: reduced salaries in the private sector by law or creating a more flexible bargaining system. The latter option has been chosen, a fact which showed confidence in collective bargaining’* (ILO 2011: 26). Indeed, Law 3845/2010, implementing the first loan agreement and the accompanying Memorandum of Understanding (MoU), stipulated that the terms of occupational and company agreements could deviate from the relevant clauses of sectoral and national collective agreements; further, sectoral collective agreements could even deviate from the minimum standards introduced at national level through the EGSSE.³¹

However, following reactions from the social partners, it was agreed to observe the floor of rights set by the EGSSE. Flexibility was sought instead via the introduction of a new type of company collective agreements – *‘special company collective agreements’*³² that were allowed to opt out from wage levels agreed at the sectoral level provided that prior to signing such an agreement, the two parties had notified in writing the tripartite governing council of the labour inspectorate. It was anticipated that special firm level collective agreements would be used as a means to secure trade-offs, including, for instance, wage reductions in exchange for job security. But there were indications that the legislation did not actually promote such agreements and only 14 were registered with the competent authorities by the summer of 2011.³³ Instead, wage reduction and other changes were most often the result of agreements with employees on an individual basis, confirming Kazakos’ (2010) prediction that if employers could not reach an agreement with the employee representatives, individual negotiations would take place,

²⁹ The then Prime Minister stopped conducting individual meetings with the heads of the social partners prior to the International Fair of Thessaloniki, a practice upheld until 2011 (GSEVEE, interview notes).

³⁰ Former Minister of Labour, interview notes.

³¹ In order to ensure wage moderation, legislation was also introduced in 2010 providing that arbitration awards issued by OMED would be of no legal effect in so far as they provided for wage increases for 2010 and the first semester of 2011 (Art. 51, Law 3871/2010).

³² Art. 13 Law 3899/2010.

³³ Greek Government’s response (case document no 5) to collective complaint 65/2011 by GENOP DEI and ADEDY to the European Committee of Social Rights (ECSR).

increasing further the risk of pay insecurity for workers and limiting, in effect, the effectiveness of the right to collective bargaining.

The institutions representing Greece's official creditors (EC, IMF and ECB), which attributed the lack of the take up of the special company collective agreements to the limited incidence of within-company trade union organisation in Greece, continued exerting significant pressure for further amendments (European Commission 2011: 39-40). Following this, Article 37(1) of Law 4024/2011 established the capacity for all firms (including those employing less than 50 persons)³⁴ to conclude firm level collective agreements provided that, in the case of companies with no unions, three fifths of the employees formed an 'association of persons'.³⁵ The representativeness of the 'association of persons' in the negotiations for the conclusion of such agreements was seen as particularly problematic, especially in the context of SMEs that make up the majority of Greek companies. This point was stressed by the ILO High Level Mission report (2011: 59), in which it was stated that

'The High Level Mission understands that associations of persons are not trade unions, nor are they regulated by any of the guarantees necessary for their independence. The High Level Mission is deeply concerned that the conclusion of 'collective agreements' in such conditions would have a detrimental impact on collective bargaining and the capacity of the trade union movement to respond to the concerns of its members at all levels, on existing employers' organizations, and for that matter on any firm basis on which social dialogue may take place in the country in the future.'

These changes were coupled with the introduction of a temporary (during the application of the Mid-term Fiscal Strategy Framework) suspension of the administrative mechanism of the extension of sectoral and occupational agreements and of the application of the favourability principle.³⁶ Further, Law 3863/2010 made provision for the reform of the mediation and arbitration procedure.³⁷ To that end, Law 3899/2010 amended certain provisions of Law 1876/1990 and redefined the role of OMED. Recourse to arbitration could now take place either through agreement of the parties or unilaterally, under the following conditions:³⁸ either party could have resort to arbitration if the other party had refused mediation; and either party could have resort to arbitration immediately after the decision of the mediator was issued. The latter provision extended to both parties a facility which had been available only to workers under the previous law. Furthermore, arbitration was confined solely to the determination of the basic wage/salary and should not consider other issues, such as for instance, bonuses, allowances or other benefits.

Following the further deterioration of Greek public finances and in anticipation of the conclusion of a second loan agreement, the Greek government held discussions with the employers' associations and trade unions in January 2012. In February 2012, the social partners came to an agreement and in a letter sent to the domestic political actors and the EU institutional actors, they outlined their consensus on the preservation of the thirteenth and fourteenth salary and the minimum wage levels as well as the maintenance of the 'after-effect' of collective agreements.³⁹ However, this agreement by the social partners was considered 'superficial', as 'it only constituted a framework agreement and did not include

³⁴ In the previous system, there was no right for company-level bargaining in companies below 50 employees and only sectoral and occupational collective agreements could apply.

³⁵ Associations of persons were originally introduced in 1982 and could be created for a limited period of time (six months) in companies with fewer than 20 workers by 15 per cent of workers, and in enterprises with more than 20 workers by 25 per cent of the workforce. Their purpose was to ensure worker representation for a specific time-bound purpose, e.g. prior to the closure of an enterprise, if a union did not exist. They did not benefit from the protection available to trade union members and were not subject to the detailed provisions on the governance of trade union organizations.

³⁶ Law 4024/2011.

³⁷ Articles 73 and 74.

³⁸ Article 16.

³⁹ Letter from the three employers' organizations and the GSEE to Prime Minister Loukas Papademos.

any agreement on substantive areas, most notably, wage reductions'.⁴⁰ The rejection of the social partner's consensual position paved the way for a sweeping and far-reaching set of labour market interventions.

The interventions of 2012

In 2012, the then coalition-led government proceeded unilaterally to a second set of wide-ranging changes. First, it introduced a maximum duration of three years on all collective agreements and placed a three-month limit on the application of expired collective agreements.⁴¹ If a new agreement is not reached, after the 3-month period remuneration will revert back to the basic wage, as stipulated in the expired collective agreement, plus specific allowances (based on seniority, number of children, education and exposure to workplace hazards but not any longer based on marriage) until replaced by those in a new collective agreement or in new or amended individual contracts. Further, the government suspended automatic wage increases related to years of service (seniority) provided for in the law or in collective agreement clauses, until unemployment falls below 10%.⁴²

Secondly, the government amended the regulatory framework affecting trade unions' recourse to arbitration and resources for mobilisation. The 2012 reforms abolished the unilateral recourse to arbitration and allowed instead recourse to arbitration only if both parties consented.⁴³ The government also passed measures to reduce the institutional and financial resources of trade unions, including a reduction of the funds used to support trade union activities.⁴⁴

Thirdly, and perhaps most importantly, the government radically altered the level, character and functioning of Greece's wage floor. In response to claims that its NMW was high relative to comparator countries, it imposed a drastic cut in the level of the minimum wage. It argued at the time that this adjustment was required to *'help ensure that as the economy adjusts, and collective bargaining agreements respond, firms and employees do not find themselves bound at a lower limit (and a limit which is very high in international comparison)... these measures will permit a decline in the gap in the level of the minimum wage relative to peers (Portugal and Central and South-East Europe)'* (Ministry of Finance 2012: 22). Accordingly, an immediate realignment of the minimum wage level, as determined by the EGSSE, was introduced by Ministerial Council Act 6/28-2-2012, resulting in a 22% cut at all levels based on seniority, marital status and whether wages were paid daily or monthly.⁴⁵ Therefore, the minimum gross monthly wage for a single white-collar employee with less than three years' previous service was set at €586.08 in 2012 (down from €751.39, which was the minimum gross wage for a single white-collar employee with less than three years' previous service prior to this amendment).⁴⁶ At the time of writing (June 2016), the minimum wage remains frozen at the 2012 rate.

It is worthwhile pausing to interrogate the claim that Greece's minimum wage was very high relative to comparator countries prior to this 22% imposed reduction. There is no single indicator for such a test both because there is no consensus on what measure best captures the relative value of a country's minimum wage and because there is no consensus on what determines a suitable level for a given country's

⁴⁰ Former Minister of Labour, interview notes.

⁴¹ Ministerial Council Act 6/28-2-2012 on the basis of Law 4046/2012 (Article 1(6)).

⁴² Law 4046/2012 (Article 1(6)) and in Ministerial Council Act 6/28-2-2012 (Article 4).

⁴³ Article 3(1) of Ministerial Council Act 6/28-2-2012.

⁴⁴ Articles 1(6) and 2(1) of Law 4046/12.

⁴⁵ The reduction in the NMW levels was directly applicable in cases of employees whose pay was determined by the EGSSE and were not subject to the application of other sectoral, occupational or company-level agreement. In cases where pay was determined by the EGSSE, the employer had the right to proceed unilaterally to the wage reduction without the consent of the employee. In cases where there was absence of sectoral, occupational or company-level agreements but the employee received a higher pay than that of the EGSSE, the wage reduction should take place following an agreement between the employer and the employee.

⁴⁶ Prior to this amendment the minimum daily wage for a single blue-collar employee with previous service of less than three years was set at €33.57, while now it is set at €26.18

economic and welfare policy context (see Grimshaw 2013 for extended discussion; also OECD 2015⁴⁷). It is therefore necessary to assess Greece's relative position using multiple indicators. Figure 2.1 displays trends using four indicators: the Kaitz index, the real value (correcting for purchasing power parity), the nominal value and relative to GDP per capita. For each indicator we draw on available OECD data and display the most recent data and the sample of European countries most suited to the comparison.

First, the Kaitz index locates Greece at 3rd position in 2011 out of 13 countries. Its position then drops to 11th immediately after the 22% cut in 2012 and rises slightly to ninth position in 2014. The implication of this indicator is that while Greece's minimum wage may have been high in 2011, the 22% cut followed by a freeze appears excessive, especially in a context where nearly all European countries have opted to leverage their minimum wages up in an effort to restore real wage growth (OECD 2015). It is also worth bearing in mind that the Kaitz index for Greece increased during 2012-14 in a context of deterioration in average real earnings, unlike the situation in other countries.

Second, the trend in real value (purchasing power parity) relative to other countries tells a somewhat different story (figure 2.1b). In 2011 Greece's minimum wage is below the average for Europe but slightly higher than other countries with comparable levels of GDP per capita. The cut and subsequent freeze reduced Greece to the level of Turkey by 2015, a country that does not have a comparable standard of living; Turkey's GDP per capita is almost 25% lower than that of Greece.⁴⁸ Moreover, it is notable that northern European countries did not cut the real value of their minimum wages in response to the crisis and have increased the gap with southern European countries.

The third indicator shows clearly the exceptional trend of Greece in a context of upwards trend rises in all other countries shown during the post-crisis period. In nominal terms, Greece's minimum wage has essentially been fixed at a level comparable to Spain, above that in Portugal but now below that in some Central and Eastern countries such as Slovenia.

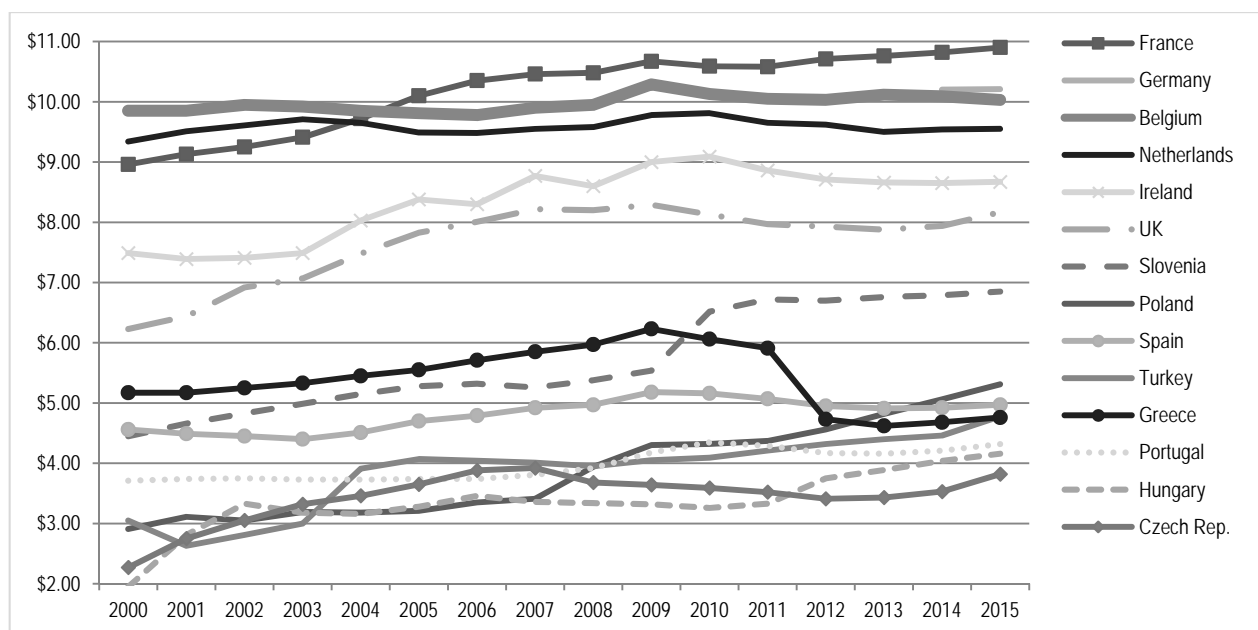
The fourth indicator is perhaps most revealing of the dramatic exogenous shock to Greece's minimum wage (figure 2.1d). It compares the trend in the real minimum wage and GDP per capita with those European countries with a comparable standard of living –defined here as plus or minus 20% of Greece's GDP per capita. Greece is the only country among its comparator group that experiences a substantial fall in both its real minimum wage and its GDP per capita during 2010-2014. No other country moved to the left of the diagram as Greece did with its 8% fall in GDP per capita and while the real minimum wage fell in Spain and Portugal, it was a small drop compared to that experienced in Greece. Nor is there an essential negative correlation between minimum wage change and GDP per capita growth. This is displayed by Spain and Portugal but not by Slovenia and Slovakia where real increases combined with larger rises in GDP per capita; indeed the larger rises in GDP per capita occurred in the countries that raised their minimum wage in real terms.

⁴⁷ A recent OECD update on minimum wage policy reforms states that 'wage-floor comparisons based on gross MW amounts alone say relatively little about aspects that are crucial for a fact-based discussion of the pros and cons of MW policies: the cost of employing MW workers (the "minimum labour cost"), their take-home pay, and the groups that are most affected by MW provisions' (2015: 2). It is not clear whether such a comprehensive assessment of Greece's minimum wage was undertaken prior to the imposition of the 22% cut in 2012.

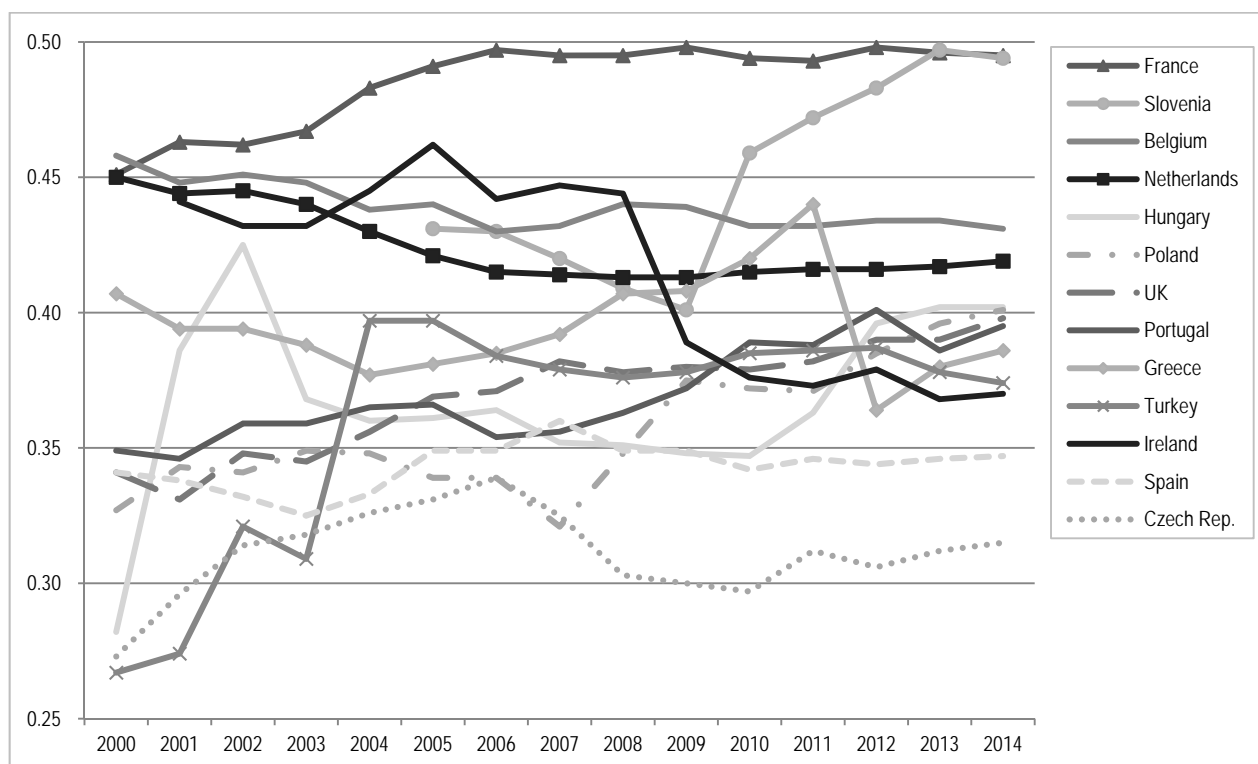
⁴⁸ OECD data, GDP per person, US\$, Purchasing Power Parity, 2015 data.

Figure 2.1. Trends in Greece's minimum wage relative to other European countries, 1999-2015, key indicators

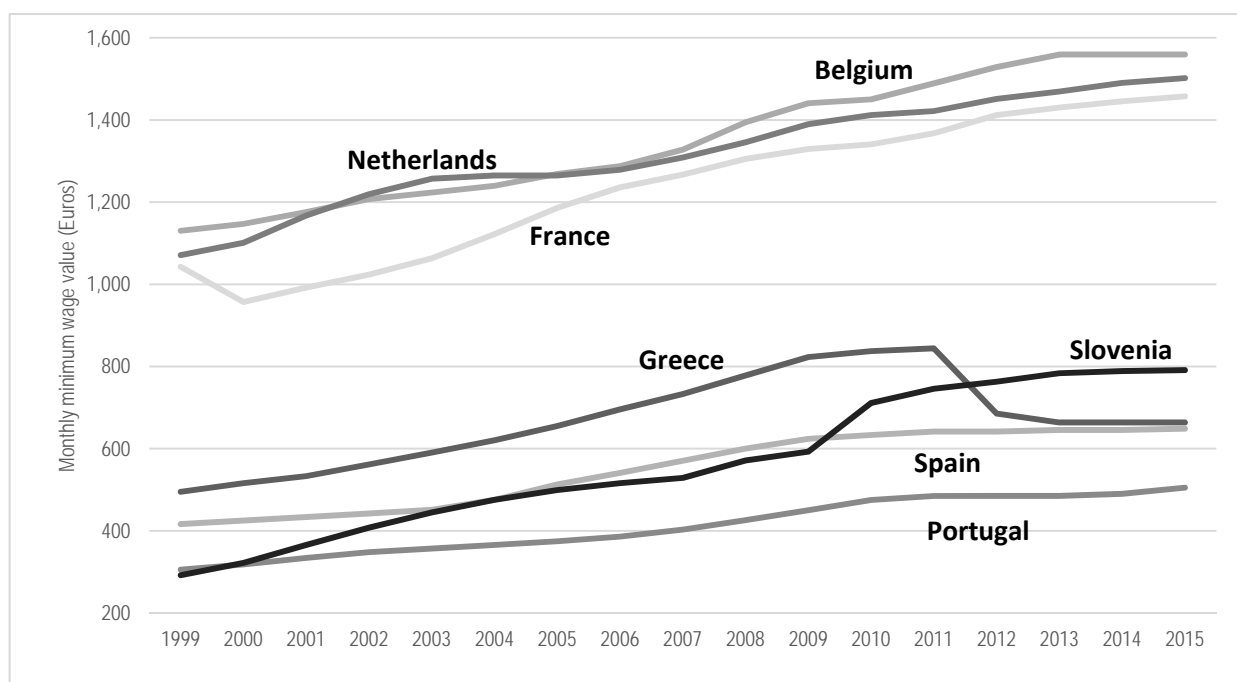
a) Kaitz index (relative to average full-time earnings)



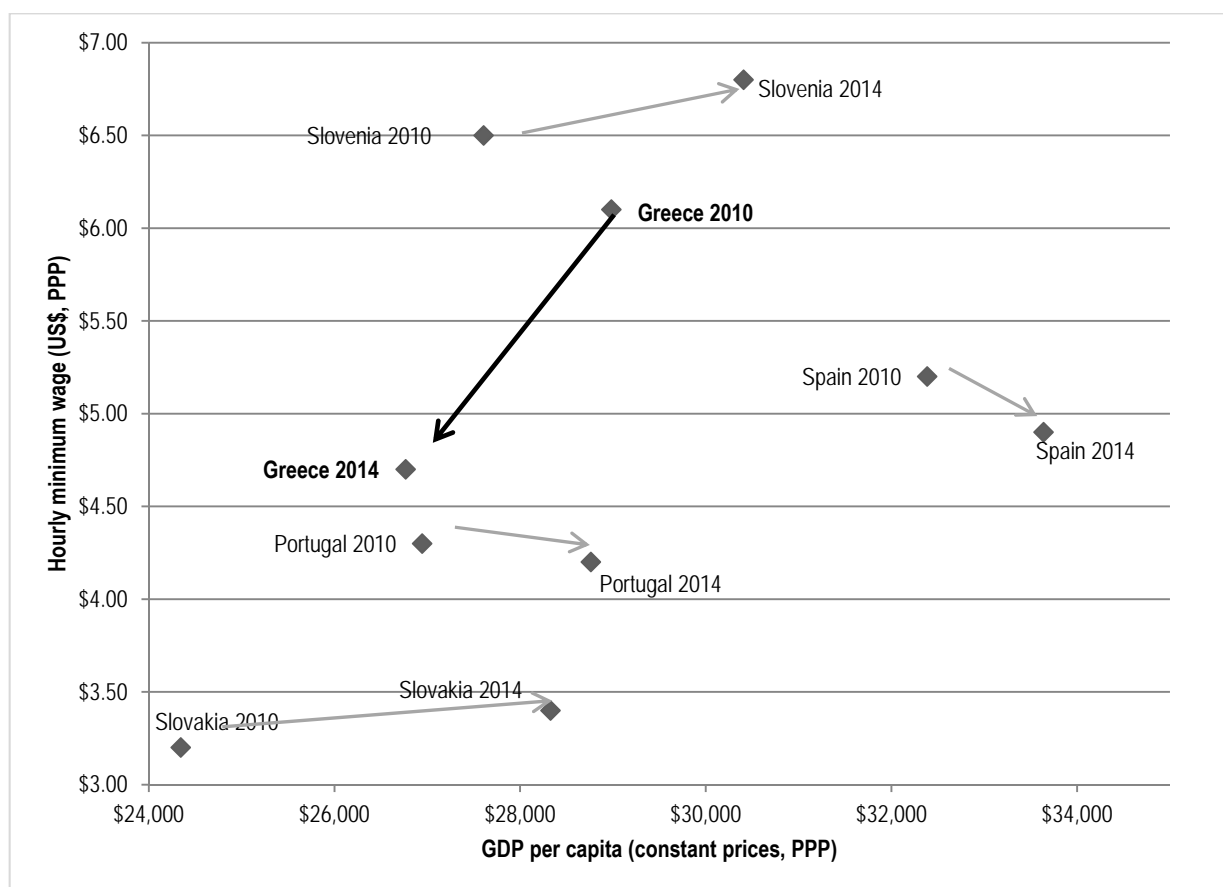
b) Real value MW (2014 constant prices, Purchasing Power Parity, US\$)



c) *Nominal value MW (current prices)*



d) *MW value compared to GDP per capita (comparator countries)*



Source: OECD minimum wage database; authors' original compilation.

As part of this legislative reform, the government also introduced a sub-minimum wage for young workers defined as under 25 years old, which is a very high age by international standards (Grimshaw 2014). The government cut the minimum monthly and daily wage set by the EGSSE for this age group almost a third (32%). As such, the minimum gross wage for a white-collar employee under 25 years old who is single and has had previous service of less than three years amounts to €510.95, whereas the minimum gross daily wage for a blue-collar employee under 25 years old under the same condition amounts to €22.83 (down from €751.39 and €33.57 respectively). In addition, the government legislated for a freeze in the adult and youth NMW levels until the end of the economic adjustment period that is stipulated in the Memoranda which were annexed to Law 4046/2012, as amended. This refers to the termination of the period of fiscal adjustment that is stipulated in the Medium-term Fiscal Framework 2013-2016, which means that until at least 31.12.2016, the national minimum wage levels will be frozen.

These cuts became the subject of harsh criticism from trade unions and some employers' associations, predominantly GSEVEE and ESEE.⁴⁹ First, it was deemed that the wage reductions in the NMW levels contravened the constitutionally recognized institution of collective autonomy, i.e. the legal capacity of trade unions and employers' associations to determine general working conditions by voluntary negotiations.⁵⁰ Secondly, from an economic and organizational perspective, it was argued that the wage cuts would harm significantly consumer demand and would put at risk the '*cooperative relationship*' between employers in SMEs and their employees.⁵¹

While the minimum wage cut, new youth sub-minimum and ongoing freeze were widely reported and understood, there has been less commentary on the radical manner in which Law 4093/2012⁵² replaced the joint regulatory process for fixing wage floors in the national general collective agreement with a statutory minimum wage rate legislated by the government. A subsequent reform in 2013 (Law 4172/2013) provided that the minimum monthly and daily wage are to be determined by a decision adopted by the Minister of Labour, Social Security and Welfare, following the consent of the Ministerial Council. It was stipulated that the factors to be taken into consideration for determining this minimum wage will be the situation of the Greek economy and its development perspectives, in terms of productivity, prices, and competitiveness, employment, unemployment rate, incomes, and salaries. Prior to the ministerial decision, consultation should take place between the social partners and the Government.⁵³ The national collective labour agreement continues to regulate non-wage issues, which are directly applicable to all workers. But if it also stipulates certain wage levels, then these are only valid for workers, who are employed by members of the contracting employers' federations.

Significant questions remain regarding the compatibility of the measures with the *acquis* in the area of international social rights and in particular labour standards, as established by the ILO, the Council of Europe but also the EU. In this respect, complaints were made by Greek trade unions to the ILO Committee on Freedom of Association (CFA), the ILO Committee of Experts on the Application of Conventions (CEACR) and the European Committee on Social Rights (ECSR) of the European Council. At the ILO level, both Committees criticised the numerous violations of trade union and collective bargaining rights, including Conventions Nos 87 (Freedom of Association and Protection of the Right to Organise) and 98 (Right to Organise and Collective Bargaining) (see box 2.4 (a) and (b)).⁵⁴ The outcomes

⁴⁹ See, among others, the joint interview of the presidents of ESEE and GSEVEE in Fortune Greece (Akrivou 2015).

⁵⁰ GSEE, interview notes.

⁵¹ GSEVEE and ESEE, interview notes.

⁵² Ratification of Mid-term Fiscal Strategy 2013--2016, Urgent Regulations relating to the Implementation of Law 4046/2012 and the Mid-term Fiscal Strategy 2013—2016.

⁵³ This way of determining the NMW will not apply before 2017.

⁵⁴ Committee on Freedom of Association (CFA) of the ILO, Case no 2820; Committee of Experts on the Application of Conventions and Recommendations (CEACR) of the ILO, Report of the Committee of Experts on the Application of Conventions and Recommendations, International Labour Conference, 102nd Session, 2013, ILC.102/III(1A). It is important to

of these complaints were then referred to by Members of the European Parliament in a question submitted to the Commission.⁵⁵ The response by the European Commission stated that ‘the Memoranda of Understanding insist on labour market reforms to be taken in consultation with social partners as a rule and in compliance with EC laws and Core Labour Standards. The Commission, the IMF and the ECB seek to regularly meet social partners in countries that are implementing an economic adjustment programme’.⁵⁶ However, as analysed above, there was no consultation at all with the social partners over the measures associated with the first loan agreement. Further, during the negotiations for the second loan agreement, the social partners reached a framework agreement, but it was not taken into consideration on the basis that it ‘*fell short of expectations*’ (European Commission, 2012b: 147). In a similar vein, the ECSR issued a range of decisions confirming the lack of compatibility of the austerity measures in Greece with the European Social Charter, including in respect of the sub-minima wage levels introduced in the case of workers below 25 years’ old.⁵⁷

note that the ILO developed significant activity in the case of Greece: see the High Level Mission to Greece (ILO, 2011). Further, the ILO increased its involvement in monitoring labour law reform projects: it recently launched a number of new projects in response to the crisis in the area of employment, emphasising the importance of social protection rights (ILO, 2014: 120).

⁵⁵ Parliamentary Question for Written Answer to the Commission, Raül Romeva i Rueda (Verts/ALE), Nikos Chrysogelos (Verts/ALE), Rui Tavares (Verts/ALE), Subject: Troika violation of collective bargaining and social dialogue, OJ C 330 E, 14/11/2013

⁵⁶ Parliamentary Questions, Joint answer given by Mr Rehn on behalf of the Commission
Written questions: E-010617/12, E-010571/12, OJ C 330 E, 14/11/2013.

⁵⁷ ECSR decisions on the merits of 23.05.2012, Complaints No. 65/2011, *General Federation of Employees of the National Electric Power Corporation (GENOP-DEI) and Confederation of Greek Civil Servants’ Trade Unions (ADEDY) v. Greece*; No. 66/2011, *General Federation of Employees of the National Electric Power Corporation (GENOP-DEI) and Confederation of Greek Civil Servants’ Trade Unions (ADEDY) v. Greece*; ECSR decisions on the merits of 07.12.2012, Complaints No. 76/2012, *Federation of employed pensioners of Greece (IKA-ETAM) v. Greece*; No. 77/2012, *Panhellenic Federation of Public Service Pensioners (POPS) v. Greece*; No. 78/2012, *Pensioners’ Union of the Athens-Piraeus Electric Railways (I.S.A.P.) v. Greece* No. 79/2012, *Panhellenic Federation of pensioners of the Public Electricity Corporation (POS-DEI) v. Greece*; No. 80/2012, *Pensioners’ Union of the Agricultural Bank of Greece (ATE) v. Greece*. See also *Greek General Confederation of Labour (GSEE) v. Greece*, Complaint No. 111/2014 (still pending).

Box 2.4. Excerpts of comments and observations of the CFA and CEACR in respect of the legislative changes affecting collective bargaining in Greece

(a) ILO Committee on Freedom of Association

995. Firstly, the Committee cannot but observe that the long list of issues raised by the complainants demonstrate important and significant interventions in the voluntary nature of collective bargaining and in the principle of the inviolability of freely concluded collective agreements. While noting the reasons advanced for the exceptional circumstances in this case, the Committee considers that such repeated and extensive intervention in collective bargaining can destabilize the overall framework for labour relations in the country if the measures are not consistent with the principles of freedom of association and collective bargaining.

997. The Committee underlines that the elaboration of procedures systematically favouring decentralized bargaining of exclusionary provisions that are less favourable than the provisions at a higher level can lead to a global destabilization of the collective bargaining machinery and of workers' and employers' organizations and constitutes in this regard a weakening of freedom of association and collective bargaining contrary to the principles of Conventions Nos 87 and 98.

998. In respect of the allegations related to the use of association of persons for special firm-level agreements... the Committee is concerned that the granting of collective bargaining rights to such associations may seriously undermine the position of trade unions as the representative voice of the workers in the collective bargaining process. The Committee considers this all the more so given that the recognition of such associations comes within a context of a radical overhauling of the labour relations system as it was known in the country.

999. As regards the suspension of the extension authority of collective agreements more generally, the Committee observes that, while there is no duty to extend agreements from the perspective of freedom of association principles, any extension that might take place should be subject to tripartite analysis of the consequences it would have on the sector to which it is applied [see Digest, op. cit., para. 1051]. The Committee trusts that, in their overall discussions of the most appropriate measures to be taken under the current circumstances in respect of the broader framework for collective bargaining, the Government and the social partners will fully consider the various impacts on social and economic policy that may be achieved through extension.

1002. The Committee considers that it is a matter of utmost importance that the Government and the social partners urgently come together to review all the above mentioned measures and their impact not only on labour relations in the country, but also on the hopes for economic development and social cohesion. It has the firm expectation that they hold the key to the elaboration of a labour relations system that is workable and will be conducive to rebuilding the economy. In this regard, the Committee expects that the social partners will be fully implicated in the determination of any further alterations within the framework of the agreements with the European Commission, the IMF and the European Central Bank (ECB) that touch upon matters core to the human rights of freedom of association and collective bargaining and which are fundamental to the very basis of democracy and social peace.

1003 (a). Deeply aware that the measures giving rise to this complaint have been taken within a context qualified as grave and exceptional, provoked by a financial and economic crisis, and while recognizing the efforts made by the Government and the social partners to tackle these daunting times,) the Committee recommends that the Government promote and strengthen the institutional framework for collective bargaining and social dialogue and urges, as a general matter, that permanent and intensive social dialogue be held on all issues raised in the complaint and in its conclusions with the aim of developing a comprehensive common vision for labour relations in the country in full conformity with the principles of freedom of association and the effective recognition of collective bargaining and the relevant ratified ILO Conventions.

Source: ILO - Committee on Freedom of Association (Examination of the Greece (case 2820) Committee on Freedom of Association, 365th Report (November 2012), available at http://www.ilo.org/wcmsp5/groups/public/-ed_norm/-relconf/documents/meetingdocument/wcms_193260.pdf

Box 2.4. Excerpts of comments and observations of the CFA and CEACR in respect of the legislative changes affecting collective bargaining in Greece

(b) ILO Committee of Experts on the Application of Conventions and Recommendations

i. Committee of Experts on the Application of Conventions and Recommendations, 2013 Report

While acutely aware of the grave and exceptional circumstances being experienced in the country, the Committee *deeply regrets* these numerous interventions in voluntary concluded agreements, including the NGCA for which the social partners, cognizant of the financial and economic challenges, declared their continuing support in February 2012. The Committee recalls, as has been said to other countries in similar situations, that if, as part of its stabilization policy, a government considers that wage rates cannot be settled freely through collective bargaining, such a restriction should be imposed as an exceptional measure and only to the extent that it is necessary, without exceeding a reasonable period, and it should be accompanied by adequate safeguards to protect workers' living standards. *While noting the gravity of the economic crisis the Committee refers to its conclusion above about the importance of a space for social dialogue and the role of the social partners in participating in the determination of measures affecting them and the labour market and urges the Government to review with them all the above measures with a view to limiting their impact and their duration and ensuring adequate safeguards to protect workers' living standards. Noting the Government's indication that consultations are taking place between the newly elected Government and the social partners with the aim of signing the new NGCA, the Committee requests the Government to indicate in its next report the progress made in this regard and trusts that any mechanism for the determination of wages will ensure that the social partners can play an active role.*

ii. Committee of Experts on the Application of Conventions and Recommendations, 2015 Report

Article 4 of the Convention. Promotion of collective bargaining; enterprise-level collective agreements and association of persons. The Committee recalls its previous comments concerning Act No. 3845/2010 which provided that: "Professional and enterprise collective agreements' clauses can (from now on) deviate from the relevant clauses of sectoral and general national agreements, as well as sectoral collective agreements' clauses can deviate from the relevant clauses of national general collective agreements. All relevant details for the application of this provision can be defined by Ministerial Decision." As regards the matter of the association of persons, the Committee had noted that Act No. 4024/2011 provided that, where there is no trade union in the company, an association of persons is competent to conclude a firm-level collective agreement. The Committee had previously expressed concern that, given the prevalence of small enterprises in the Greek labour market, the facilitation of association of persons, combined with the abolition of the favourability principle set out first in Act No. 3845/2010 and given concrete application in Act No. 4024/2011, would have a severely detrimental impact upon the foundation of collective bargaining in the country.

Recalling the importance of promoting collective bargaining with workers' organizations and thus improving collective bargaining coverage, the Committee once again requests the Government to indicate the steps taken to promote collective bargaining with trade unions at all levels, including by considering, in consultation with the social partners, the possibility of trade union sections being formed in small enterprise.

Sources: Committee of Experts on the Application of Conventions and Recommendations, 2013 Report, available at http://www.ilo.org/ilc/ILCSessions/102/reports/reports-submitted/WCMS_205472/lang-en/index.htm; Committee of Experts on the Application of Conventions and Recommendations, 2015 Report, available at [http://www.ilo.org/public/libdoc/ilo/P/09661/09661\(2015-104-2\).pdf](http://www.ilo.org/public/libdoc/ilo/P/09661/09661(2015-104-2).pdf).

Box 2.4. Excerpts of comments and observations of the CFA and CEACR in respect of the legislative changes affecting collective bargaining in Greece

(c) ILO Conference Committee on the Application of Standards.

The Committee recalled that the interference in collective agreements as part of a stabilization policy should only be imposed as an exceptional measure, limited in time and degree, and accompanied by adequate safeguards to protect workers' living standards. Mindful of the importance of full and frank dialogue with the social partners concerned to review the impact of austerity measures and the measures to be taken in times of crisis, the Committee requested the Government to intensify its efforts, with ILO technical assistance, to establish a functioning model of social dialogue on all issues of concern with a view to promoting collective bargaining, social cohesion and social peace in full conformity with the Convention. The Committee urged the Government to take steps to create a space for the social partners that would enable them to be fully involved in the determination of any further alterations that touched upon aspects going to the heart of labour relations and social dialogue.

Sources: ILO. International Labour Conference. Third item on the agenda: Information and reports on the application of Conventions and Recommendations - Report of the Committee on the Application of Standards - Part Two. Provisional Record No.16 -2(Rev.), p. 81, available at http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_216456.pdf

Change of direction

In a different direction, the Greek Council of State held in 2014 that the abolition of the unilateral right to arbitration was unconstitutional. Specifically, the Council of State held that the term providing that the ‘recourse to arbitration in any case requires agreement of the parties is contrary to Article 22 paragraph 2 of the Constitution and therefore should be annulled’.⁵⁸ Following the decision, legislation was introduced,⁵⁹ re-instating the unilateral right to arbitration. Furthermore, new procedures were introduced for the adjudication of disputes, including the following: where the application for arbitration was submitted unilaterally, the adjudication of the dispute would take place by a 3-member arbitration committee (and not a single arbitrator); additional business-related information should be submitted, including changes in the competitiveness, in unit labour costs and the economic state of weak performing companies in the sector; appeal procedures were introduced involving a 5-member committee within OMED at first level but also civil courts.

A more wide-ranging raft of reforms were promised with the election of the new government in January 2015, which committed to a series of measures designed to promote collective bargaining. The commitments included, among others, changes to the rules governing the extension and after-effect period of collective agreements as well as arbitration. Indeed, shortly afterwards a draft bill was prepared suggesting the amendment of Law 1876/1990 along these lines; legislation was also adopted to extend the application of expired collective agreements to the previous limit of six months and importantly to safeguard all terms of expired collective agreements in the ‘after-effect’ period.⁶⁰ However, Law 4336/2015, which ratified the third loan agreement concluded in July 2015, led to the abolition of these amendments. As outlined in the introduction of the present report, it was further required that the Greek authorities should ‘*undertake rigorous reviews and modernization of collective bargaining, industrial action and, in line with the relevant EU directive and best practice, collective dismissals*’ (European Council 2015).

2.3. Summary

This section summarized the changes in the regulatory framework affecting collective bargaining in Greece since the start of the crisis. In terms of the processes guiding the implementation of reforms, social dialogue between the government and the social partners was almost absent. While this confirmed the strong tradition of a culture in Greece of state unilateralism in policy-decision making, it was also broadly in line with the *de facto* departure from a ‘political economy’ crisis response approach, where industrial relations institutions play a role, towards a ‘financial market driven’ approach where public policy responses are dependent on the situation in the financial market (Ghellab and Papadakis 2011). The 2011 ILO Report of the High Mission to Greece illustrates the latter point, when it states that the issue of employment was rarely discussed during the consultation between the Greek government and the institutions representing Greece's official creditors (EC, IMF, ECB and ESM) (ILO 2011). The lack of any influence of the social partners not only provides evidence for the unilateral character of the changes but also deprived policymakers of all the information necessary for effective policy design at a time most crucially needed, and could hinder the chances of maintaining balance in such policies by mitigating their adverse effects on the most vulnerable groups (Ghellab and Papadakis 2011; see also Patra 2012).

In terms of the substance of the ‘structural labour market reforms’, the extent to which the relevant regulatory framework departed from the pre-crisis legal/institutional model of collective bargaining was

⁵⁸ Decision 2307/2014.

⁵⁹ Law 4303/2014.

⁶⁰ Article 72 Law 4331/2015.

particularly pronounced and had the potential to lead the Greek system of collective bargaining onto a different institutional trajectory, one that is possibly closer to the model of absent or single-employer bargaining of the UK and the majority of Central and Eastern European countries (Schulten and Müller 2014). In this context, the changing pattern of legal/institutional incentives that enable or hinder the capacities of social partners to achieve consensus via collective bargaining becomes crucial. Further, the widespread absence of union organisation at company level and associated low incidence of company-level bargaining could become crucial ‘data’, once the institutions representing Greece's official creditors (EC, IMF and ECB and the ESM) pressed for more flexible, decentralised bargaining.

The abolition of the favourability principle, the suspension of the extension of collective agreements, the introduction of non-union representatives at company level that have the right to conclude company-level collective agreements and the reduction of the after-effect period of collective agreements had the potential to decollectivize labour relations. At a general level, the ‘structural labour market reforms’ pointed to a fundamental redrawing of the regulatory boundaries between joint regulation by employers and trade unions, state regulation and negotiations between employers and individual workers, potentially increasing the scope for state and managerial unilateralism. The shifting of the boundaries was likely to have implications for not only the relationship between the industrial relations actors but also their role within the collective bargaining system and the outcomes of bargaining for employers and workers but also the state.

The scale and pace of change, as well as the associated implications for the range of possible equilibria between the bargaining parties in terms of incentive structures, sets the context for subsequent sections of this report that address the effects on wages, working conditions and the competitiveness of firms, sectors and the national economy. The analysis in sections 4, 5 and 6 draws on primary and secondary data to interrogate the social and economic effects of the changed legal and industrial relations context.

3. Varieties of collective bargaining and their effects on wages and competitiveness

This section evaluates the literature on the relationship between collective bargaining systems, wage levels and competitiveness of firms, sectors and national economies. While for many years a rich institutional literature on corporatism suggested that more centralized and coordinated wage-setting was consistent with better economic performance (Cameron 1984), from the late 1980s ideas from mainstream economic theory came to dominate policy thinking with the view that liberalizing the institutions of collective bargaining would enhance labour market flexibility and boost job creation (Calmfors and Driffill 1988). This view peaked with the well-known OECD (1994) *Jobs Study* at a time when the policy focus was on holding back real wage growth because it was seen to be in danger of outpacing productivity gains and fueling inflation and unemployment. Times are now very different. Europe has suffered one of the longest periods of real wage stagnation and many countries are struggling to unlock productivity growth and reduce unemployment. At the same time, with the use of more sophisticated statistical techniques and application of more robust and relevant theory, research now demonstrates that the supposed negative economic effects of collective bargaining may be either very small or even non-existent and that the actions of ‘distributional coalitions’, as Mancur Olson (1965) called the respective employer and union organisations, may in certain circumstances be compatible with improved efficiency at the level of the firm and with enhanced economic performance at sector and national levels.

Drawing on a critical review of the current state-of-the-art economics and comparative industrial relations research on the relationship between collective bargaining and economic performance, this section highlights five fundamental pieces of empirical evidence. First, the apparent elegance and simplicity of economic models proves to be an unreliable guide to understanding how complex institutions of collective bargaining operate in practice. As Calmfors, one of the major architects of theory in this field, acknowledged in his submission to the OECD, *‘Although the theoretical results are clear-cut, the practical conclusions appear more ambiguous. The main reason for this is that the actual wage bargaining systems seldom conform to their theoretical counterparts’* (1993: 14, emphasis added). Country systems are hybrids (as we know from a long tradition of comparative industrial relations research) and therefore do not fit easily on a simple continuum of bargaining types. Second, the efficacy of centralized and coordinated sector and multi-level systems is usually greater than uncoordinated, fragmented and decentralized bargaining systems. Third, while early studies focused on a simple indicator of level of collective bargaining, research now repeatedly demonstrates that vertical coordination, or ‘articulation’, between levels is critical for flexibility, sustainability and performance. Fourth, detailed country studies show that highly aggregated statistical associations are bedeviled by the peculiarities of employer bodies and trade unions in different industries and countries, especially concerning strategies of cooperation and short-run versus long-run economic tactics. And fifth, given the long-run interdependencies between economic growth and economic inequality (Voitchovsky 2009), it is highly relevant that all studies demonstrate that pay dispersion is lower in countries with strong sector-level collective bargaining, wage indexation laws and high-value minimum wages (Freeman and Schettkat 2001; Grimshaw and Rubery 2013; Visser et al 2015; Manacorda 2004).

3.1. Mainstream economics and collective bargaining: The effects of ‘distributional coalitions’

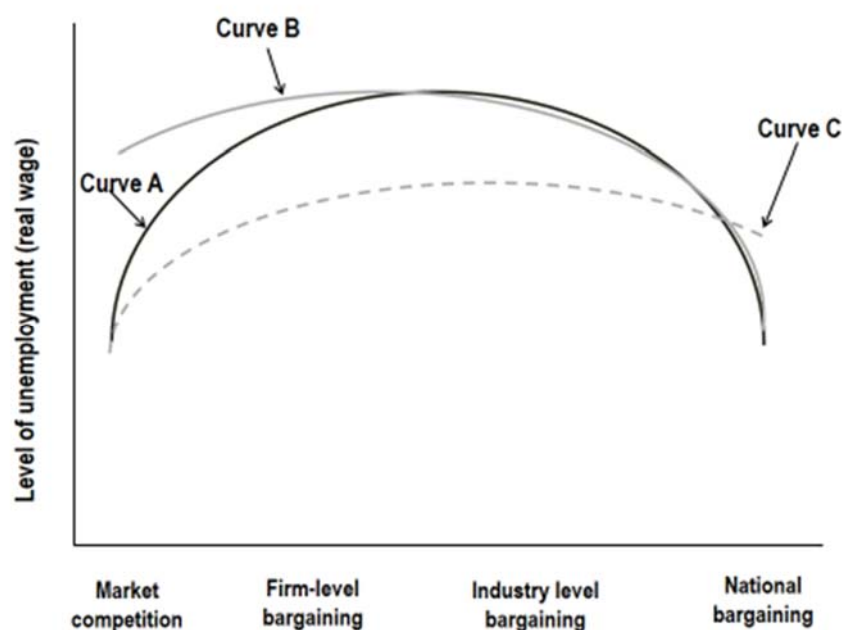
Research by mainstream economists in the 1980s and early 1990s shared certain fundamental starting points in the analysis of the performance outcomes of collective bargaining. The first starting point was inspired by Mancur Olson’s widely read studies (1965, 1982) of the supposed damage caused by ‘distributional coalitions’ –collective actors who pursue a greater share of national income. Because all actors are assumed to be self-centered and focused on maximizing economic gains, groups are unable to promote universalistic goals for the collective good (such as increasing national output) and instead more likely to lobby for particularistic redistributive goals. From an Olsonian perspective, networks of distributional coalitions are associated with retarded economic growth, ‘institutional sclerosis’ (he coined the phrase) and vulnerability to demand-side shocks. In his words:

‘On balance, special interest organisations and collusions reduce efficiency and aggregate income in the societies in which they operate and make political life more divisive. An economy with free markets and no government or cartel intervention is like a teen-aged youth: it makes a lot of mistakes but nonetheless grows rapidly without special effort or encouragement’ (1982).

Not all distributional coalitions were predicted to have the same effects. Large, encompassing coalitions, as found in Scandinavian countries, for example, have fewer negative consequences since they are said to internalize the costs of their actions more than small coalitions. Several studies in the 1970s and 1980s in fact pointed to the capacity of centralized wage-setting systems associated with corporatist economies to deliver wage restraint (whether via faster real wage adjustment or greater propensity to agree to voluntary incomes policies) and low unemployment (e.g. Bean et al. 1986; Headey 1970; McCallum 1983; Marks 1986; Newell and Symons 1987), although there were detractors arguing that the more unions cooperated the more the adverse economic outcomes (Summers 1987). Olson’s other long-lasting contributions, picked up in a proliferation of studies on corporatism, included the arguments that decision-making in coalitions tends to be slow at responding to market opportunities and that larger coalitions suffered fewer information coordination problems than small or absent coalitions (see, also, Bruno and Sachs 1985; Mulder 1993).

These arguments were refocused around collective bargaining in a classic paper by Calmfors and Driffill (1988). Using data on the manufacturing sector they ranked OECD countries by level of centralization, defined as ‘the extent of inter-union and inter-employer cooperation in wage bargaining with the other side’ (op. cit.: 17). They derived a hump-shaped relationship between degree of centralization and level of unemployment (curve A in figure 3.1). Following a combined Olsonian and economics logic, they argued that the intermediate case of ‘moderately strong corporatism’ suffers from union and employer strength that proves sufficient to negotiate change at firm and industry level but not to consider the macro effects of their actions on inflation and unemployment. Successful economies are either highly centralized, where wage-setting is a pillar of a national corporatist strategy, or highly decentralized where pay adjusts flexibly under market driven conditions (op. cit.). The microeconomic assumptions underpinning this modelling are very specific (and contestable) and reviewed in box 3.1 for information.

Figure 3.1. Adaptations of the Calmfors&Driffil hump-shaped relationship between unemployment (real wage level) and type of collective bargaining



Source: adapted from Calmfors (1993: figure 1).

Box 3.1 Review of the microeconomic assumptions underpinning mainstream economic modelling of corporatism and performance

Drawing upon bargaining models, the following key assumptions are made about the micro-level behavior of unions and employers and the functioning of labour markets:

- The labour demand schedule is fixed and negatively sloped (aggregate real wage and employment) meaning that lower real wages are always associated with higher employment and lower unemployment;
- In the absence of unions and employer organisations there is a perfectly competitive market and the market generates low unemployment;
- Wage and employment decisions are modelled within a static equilibrium model where the 'real product wage' (nominal wage deflated by the product price of the firm or industry) determines employment (not long-term changes in capital investment, human capital investment and other factors);
- Unions and employers bargain over how revenues from production are to be shared;
- There is a *necessary* trade-off between real wage gains for the union and profit reductions for the employer (and vice versa);
- The balance of revenue sharing depends in part on the fallback position of each bargaining partner, which is particularly influenced by the state of the labour market (especially the rate of unemployment);
- Measures of centralization are normally assumed equal for employers and trade unions for each country.

Against this context, economists are interested in the consequences of more or less centralization (or corporatism), usually captured by measures of inter-union and inter-employer cooperation in wage-setting. When acting separately, at a single firm or industry level, real wage increases for one group of parties is assumed to have negative externalities for other groups. When acting in solidarity such externalities are more likely to be internalized, providing an incentive for greater wage restraint among unions and employers since both would otherwise be penalized by adverse effects. As Calmfors (1993: 8) put it, 'The

simple idea is that cooperative behavior means that the effects on others of a wage increase in an individual bargaining area has to be considered. Thus the marginal benefit of a real wage increase is reduced and/or the marginal cost increased.'

The *negative externalities* from a real wage increase in one firm or one sector are varied and assumed to include:

- unemployment (because of the usual downwards sloping demand curve assumption);
- investment (since short-termist union demands for higher real wages are assumed to preclude employer investment in capital stock designed to improve real wages over the long-run);
- fiscal cost (because higher unemployment generates demands on welfare, leading to higher taxation and/or reduced public spending);
- input price (where real wage gains are bargained in sectors or firms producing inputs to other industries);
- consumer price (since real wage rises are assumed to lead directly to employer response to raise prices);
- relative wage/envy (since employers in other firms/sectors may find it more difficult to recruit and workers with lower wage gains may reduce effort).

Source: adapted from Calmfors (1993).

There are further modifications to the simple hump-shaped hypothesis in subsequent studies. First, some studies assume monopoly production instead of perfect competition (Moene et al. 1993) and derive an inferior performance of market and firm-level bargaining types (curve B in figure 3.1). Second, bargaining under conditions of open trade is assumed to generate better outcomes (thanks to free trade) but also different incentives to bargaining parties since consumer prices are partly shaped by world market pressures. This means that even under centralized bargaining, unions and employers are less incentivized to account for the negative price externalities of the firm or industry, resulting in worse economic performance (curve C in figure 3.1); the higher the share of imports the higher the level of unemployment under a model with centralized collective bargaining (Flanagan 1999: 1159). Logically, it also follows that the differential consequences of varied bargaining systems disappear altogether when there is open trade with perfect substitution between foreign and domestic goods and services.

The general result is that differences in the macroeconomic consequences of firm-level, industry-level and national-level systems are considerably complicated by differences in the tradeability of sectors on the one hand and heterogeneous presence and power of monopoly firms on the other. Figure 3.1 serves as an interesting theoretical construct but not as a workable framework for testing cause and effect empirical relationships in different countries. As Calmfors himself admitted, in light of a review of the considerable institutional complexity of European wage-setting systems (1993: 14-16), *'The above reasoning suggests that pure theory is not that helpful when comparing actual wage-setting systems.'* (op. cit.: 16). We consider the features of institutional complexity in the next section.

3.2. Understanding institutional complexity in country and industry wage-setting

Many of the problems associated with the early economics studies stemmed from the attempt to incorporate findings from comparative industrial relations into an economics model, with mistakes in coding and classifications of countries and forms of collective bargaining. Today's state-of-the-art comparative industrial relations analyses identify several key characteristics of country wage-setting systems that preclude translation into a simple one-variable measure (e.g. Visser 2016). Instead they facilitate the development of more complex institutional indices, which generate more realistic differentiation of company, industry and country forms. Here we briefly review six issues.

The first is the key role played by formal and informal coordination in wage-setting. This may involve for example pattern setting across firms or industries via wage leadership of the main export sectors in manufacturing, or wage moderation agreed in the form of national social pacts. Soskice (1990) argued that bargaining coordination, not bargaining level, is in fact the key ingredient in understanding whether or not bargaining parties are willing and able to internalize externalities. Among some economists, coordination in the form of pattern setting is considered as ‘rational’ wage-setting behavior (delivering equilibrium output and inflation) and its absence as ‘non-rational’. Carlin (2013), for example, argues that where large collective bargaining agreements play a key institutional role in adjusting wages to the real exchange rate they are likely to exercise restraint in the context of fiscal constraints. For many scholars, a key flaw in the Calmfors and Driffill model was the problematic characterization of coordinated bargaining in their centralization index. The classification of Japan and Switzerland as highly decentralized was questioned on the grounds that there was at the time a strong degree of coordination across sector and plant-level settlements by powerful employer organisations (Henley and Tsakalotos 1992: 581). Soskice (1990) applied the same argument in the case of Germany and the Netherlands. More recently, Aidt and Tzannatos (2008) have argued that coordination of wage bargaining is especially significant for economic performance during periods of crisis.

The second related issue is that coordination in fact takes two distinctive and non-aligned forms –between sectors and occupations (horizontal) and between bargaining levels (vertical) such that lower company levels comply with higher industry levels say (Crouch 1993; Traxler et al. 2001). While there are a number of rich comparative institutional analyses of vertical coordination arrangements (e.g. Marginson and Galetto 2013; Nergaard et al. 2009; Stokke 2008), these have not yet filtered into the general stream of statistical analyses (aside from the innovative work of Traxler and colleagues, including the recent analysis by Braakmann and Brandl 2016, reviewed below). Articulation between sector and company levels has become more common in several countries (especially France, Germany and Italy) where there is not only wage drift (that is, local increases agreed in excess of industry wage settlements) but also negotiated derogations and lower level opt outs, designed to grant options for lower level flexibility to bargaining parties. In Germany, for example, there is the institutionalized option of *in melius derogation* that enables bargaining parties to negotiate terms and conditions at a lower standard than those bargained at industry level (Jaehrling and Wagner 2015). As such, differentiation (by industry, region and country) in the form and character of articulation mechanisms between bargaining levels is a key issue that may potentially shape economic outcomes at micro and macro levels.

A third issue is that all trade union and employer strategies cannot be assumed to be uniformly aligned with the short-termist behavior of rational economic actors. Rowthorn (1992) showed that if more cooperative behaviour is introduced into a formal bargaining model then countries with intermediate levels of bargaining could achieve higher levels of economic performance. Similarly, if trade unions or employers do not share a common vision of long-run economic policy then a centralized wage-setting system will not be sufficient to guarantee high performance (op. cit.).

A fourth issue concerns articulation of wage bargaining with state interventions especially statutory minimum wage-fixing, public sector pay and in-work welfare benefits. Where governments intervene to boost their national minimum wage at a faster rate than average earnings growth, it may quickly catch up with and possibly overtake collectively bargaining wage rates, incentivizing a responsive mode of coordinated bargaining among unions and employers that for example favours bottom-weighted wage settlements (Grimshaw et al. 2014); France is illustrative, where its national minimum wage (the SMIC) ‘is a central instrument in shoring up France’s entire wage structure’ (Visser 2016: 28). Similarly, governments often pursue quasi incomes policies via their authority over public sector pay. During periods of pay freezes or pay caps, public sector pay controls may significantly influence the normal character of coordination of private sector wage-setting and therefore needs to be accounted for in

models.⁶¹ It is also increasingly recognized that government tax policies and wage subsidy actions (such as those inspired by ‘make work pay’ reforms, OECD 2003) influence the economic effects of wage bargaining since such policies may mean that downwards wage flexibility for the lowest paid either has no net income effects due to compensating welfare income gains or incentivizes informal employment where employers seek to avoid income tax and social security payments, leading to growth in bogus self-employed for example.

A fifth issue concerns the appropriateness of characterizing country systems using indicators such as the ‘predominant form of bargaining’ (as in the recent Eurofound 2015a analysis⁶²). Better data from company surveys now provide a useful alternative and enables analyses to capture problems of perforated national systems (caused by large gaps in collective bargaining coverage), the constantly changing character of so-called ‘hybrid systems’ of wage-setting (especially in the wake of the recent economic crisis and reforms implemented by international agencies), as well as the obvious heterogeneity by industry and firm size (Braakmann and Brandl 2016; Visser 2016). Moreover, there is a need to account for the way non-unionised segments of the economy may act to dilute the effects of bargaining structures on the economy (Flanagan 1999: 1159).

The final issue, and one which arguably has mattered most in the practical matter of undertaking policy reforms, is the strong and direct linkage between type of wage-setting system and level of wage inequality, as well as the inter-relationship between inequality and the character (especially the sustainability and distributive efficiency) of economic growth (Vernon 2015). In its assessment ten years after the Jobs Strategy was launched, the OECD reported that of all the policy reforms recommended, national governments had shown greatest reluctance to modify wage-setting institutions out of a concern for equity and social cohesion, as well as a certain disbelief in the economic modelling (OECD 2004: 131).

The empirical evidence has for many years supported the hypothesis that more centralised and coordinated wage bargaining on the whole displays a monotonic and negative relationship with the level of wage inequality (e.g. Dahl et al. 2013; Dell’Arlinga and Pagani 2007; OECD 1993; Rubery et al. 1994); a sub-set of studies also show that the same is true with respect to measures of gender wage inequality (e.g. Blau and Kahn 1995) and that the effects can fracture within countries, between public and private sectors for example (Grimshaw 2000). Again, however, there are important institutional contingencies such that wage-setting alone does not determine inequality. Examples include the variety of union strategies towards what constitutes a ‘fair’ wage distribution, the potentially over-riding effect of macroeconomic policies of wage restraint during key periods, and intersections with other key institutions (especially minimum wages and welfare state policies) that shape pay equity (Grimshaw 2013; Hibbs 1991; Mandel and Shalev 2009).

⁶¹ It is notable that few empirical studies have addressed the macroeconomic consequences of varied wage bargaining regimes in the public sector. Calmfors (1993) did advance certain speculative arguments, but these don’t hold water. A first claim was that fiscal externalities could be best avoided under conditions of decentralized public sector wage bargaining because local parties would restrain pay awards knowing they were unable to influence centrally imposed cash limits. Secondly, Calmfors argued it might be more difficult for government to negotiate with centralized parties since discussions would be more visible, making government politically exposed and unable to press ahead with restrictions (op. cit.). Developments during the austerity regimes in several European countries point to precisely the opposite outcomes (see Bach and Bordogna 2013).

⁶² In their analysis the authors define a bargaining level as ‘predominant’ in a country if it accounts for more than two thirds of bargaining coverage in a given year (Eurofound 2015: 21). The study nevertheless develops a very useful set of eight country types that combine data on level and the degree and nature of coordination with variation over time (op. cit.: figure 9).

3.3. The empirical evidence: What are the effects of collective bargaining on unemployment, productivity and wages?

Statistical analyses of the effects of heterogeneous country models of collective bargaining on economic performance require a set of quantifiable measures on either side of the equation. Quantitative interpretations of collective bargaining systems have improved in recent years with efforts to represent many of the complex and contradictory characteristics of country systems described above, rather than hang the whole model on a simple measure of the level of bargaining (see box 3.2). On the other side of the equation, the focus is on one or more measures of economic performance that can be theoretically related to varying modes of wage-setting. While some studies are directly concerned with levels of unemployment and productivity growth, the usual measures involve estimates of ‘excessive’ real wage growth (defined as higher than productivity growth) and relative wages for groups considered disadvantaged in the labour market such as youth, low skilled and women, compared to core-age, male workers. This section considers evidence from key studies for each of these performance indicators in turn. A summary of studies and results is presented in table 3.1.

Box 3.2. Summary of variables used to represent wage-setting institutions

Since the early studies in the 1980s when the central focus was on the predominant level at which collective bargaining operated, empirical research has considerably expanded the scope of institutional characteristics to generate more fine-grained institutional classifications of countries. In the statistical analyses, each institutional characteristic is translated into a numerical variable along varying minimum-maximum scales. The studies reviewed in this section include the following variables:

- union density (0-100%);
- collective bargaining coverage (0-100%);
- associational centralization (separate for unions and employers) –e.g. Traxler et al. (2001);
- extension mechanisms;
- the level of bargaining (centralization) -e.g. 1-3 (Calmfors and Driffil 1988), 1-5 in OECD (2004);
- horizontal bargaining coordination (formal & informal) -e.g. 1-5 in OECD (2004), 1-2 in Braakmann and Brandl (2016), 1-6 in Traxler et al. (2001);
- vertical coordination between levels (or articulation or governability) -e.g. 1-4 in OECD (2004), 1-2 in Braakmann and Brandl (2016).

A key differentiation among studies is whether they input institutional indicators for each country for the particular year drawing on aggregate data or whether they account for the multiplicity of collective bargaining forms within each country drawing on company survey data. The latter approach tends to produce a richer set of results more in keeping with real-world country experience. Overall, as Flanagan (1999) observed in his earlier review, most studies still suffer from one or more specification and/or measurement issues: many assume macroeconomic performance is mainly determined by institutional structures and fail to control for measures of aggregate demand or government fiscal policy; other studies ignore warnings about the need to include measures of trade, including whether or not dominant unions are in the exposed sectors, and the size and impact of non-union segments (op. cit.: 1164-6).

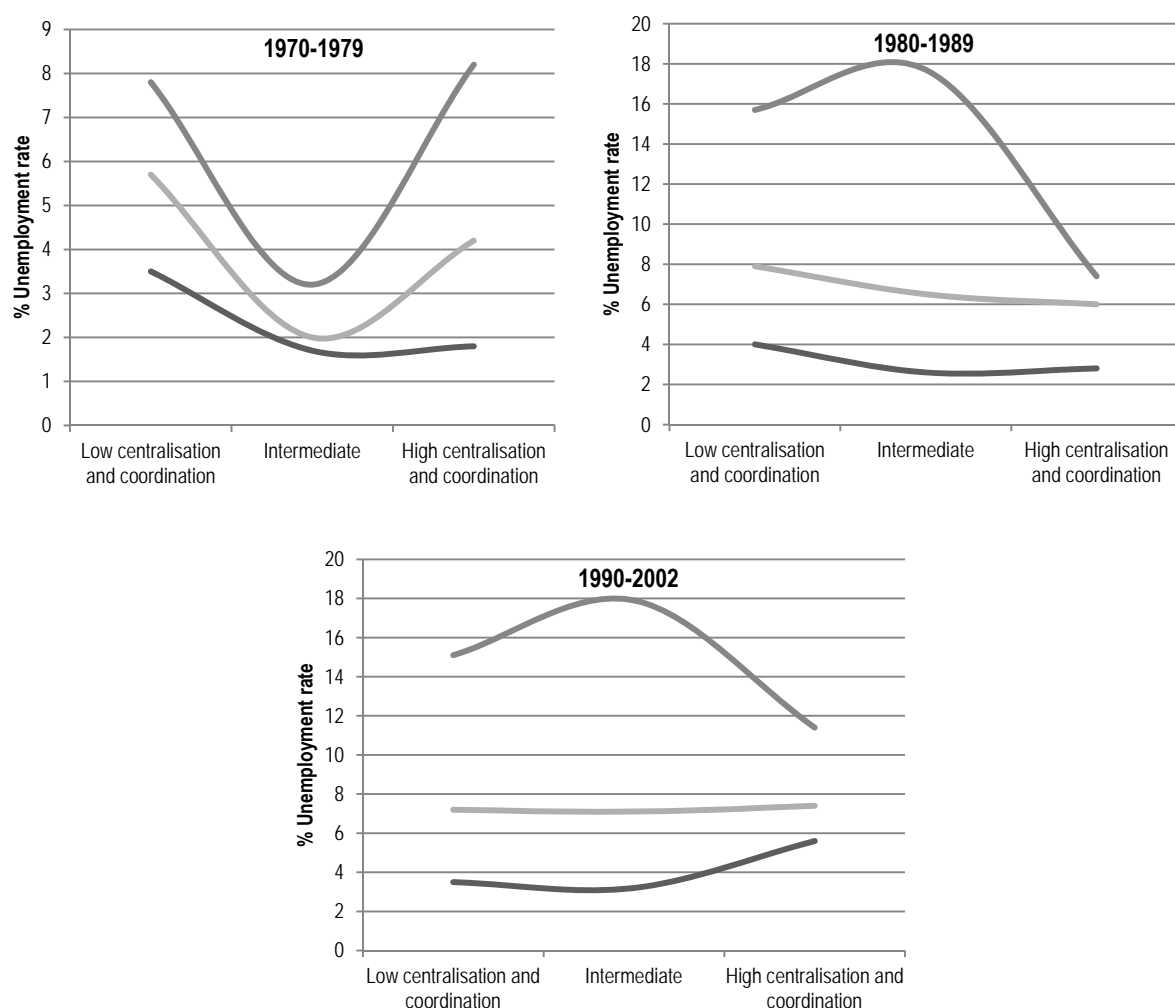
Source: variables used in the selected studies listed in table 1.

Unemployment effects

While the initial Calmfors and Driffil (1988) study proposed a neat hump-shaped relationship between level of bargaining and unemployment, subsequent studies largely reject this result. Figure 3.2 reports the key results from the OECD's (2004) widely read statistical analysis of three decades of data from 1970 to 2002. The average rate of unemployment for each of the three groups of countries -categorised by degree of centralization and coordination of collective bargaining -is at best no different (1990-2002) and at worst (1970-1979) the precise opposite to those predicted by Calmfors and Driffil.

The range of minimum scores for unemployment rates show that the best performing countries tend to be in the intermediate group over the three periods. The only curves that conform to the hump-shaped thesis are for the latter two periods for the maximum points, although they are asymmetrical in 1980-89 and 1990-2002 with better performance for the centralized labour market systems. Overall, the bivariate relationship between degree of centralization and coordination of collective bargaining shows, if anything, that over this three-decade period the worst performing countries were those with low centralization –although a safer conclusion is that the relationship is not very informative or robust.

Figure 3.2 Reproduction of OECD (2004) test of unemployment effects (min-average-max range)



Notes: The solid line represents average unemployment for each group of countries, the light dotted line the maximum and the dark dotted line the minimum.

Source: adapted from OECD (2004: table 3.6); authors' figures.

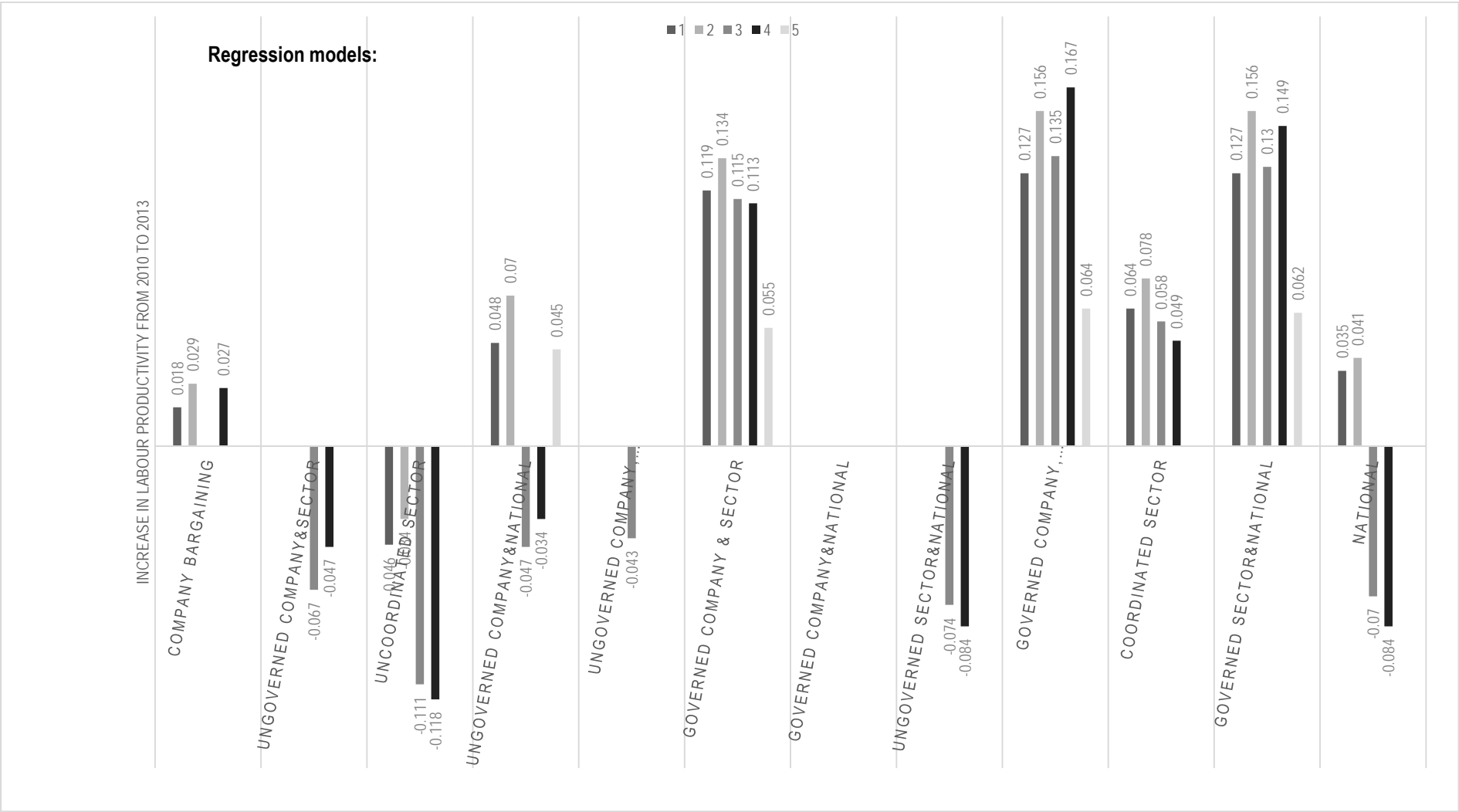
Productivity effects

A handful of studies include a direct measure of productivity growth in their list of dependent variables. The argument is that this is a more robust measure of the effects of collective bargaining on economic performance given the difficulty of predicting the relationship between real wage growth and productivity growth over the long run. Figure 3.3 presents the key results from Braakmann and Brandl's (2016) innovative regression analysis using European company survey data. First, company bargaining and coordinated sector bargaining both perform better than either absent collective bargaining or uncoordinated sector bargaining; the results for national-level bargaining are mixed. This is a key result since four in five companies in the survey reported one of these single-level forms of bargaining. It suggests that the textbook labour market model of individualized bargaining between worker and employer does not deliver strongest productivity growth, although the worst form is uncoordinated sector bargaining. So while the former finding does not conform with Olsonian logic described above, the latter does.

A second point that arises from these results is that further studies and policy recommendations need to pay more attention to the potentially superior effects of strongly articulated multi-level systems of collective bargaining (although in practice these only account for a small share of companies⁶³) and, conversely, the problems associated with ungoverned multi-level systems. Figure 3.3 makes clear that three types of 'governed' systems are highly effective and cover company-sector systems, sector-national systems and company-sector-national systems. The exception to the rule are governed company-national systems which reveal no significant difference with individualized wage bargaining. This suggests the sector level is a necessary condition for delivering productivity gains.

⁶³ According to the European company survey, 'governed' forms of multi-level collective bargaining were reported in around 8% of companies and 'ungoverned' forms in around 13% of cases (Braakmann and Brandl 2016: table 1).

Figure 3.3 Reproduction of Braakmann and Brandl's test of productivity growth effects, 2010-13



Notes: only the statistically significant results are reported; all results compare against companies with no collective bargaining; for details of the five regression models refer to Braakmann and Brandl (2016).

Source: adapted from Braakmann and Brandl (2016: table 2); authors' compilation.

‘Excessive’ real wage effects

A primary dependent variable in many of the empirical studies is real wage change, utilizing either real earnings data or where these are unavailable labour costs data. Excessive real wage growth, defined as real wage growth in excess of productivity growth,⁶⁴ is treated in the economics investigations as synonymous with a rise in unemployment. While economic theory predicts a hump-shaped relationship with type of wage-setting institutions, in fact the bulk of evidence overall fails to find support (table 3.1). An exception is the study by Boeri (2014) which reports a simple regression of the relationship between three types of collective bargaining on the share of labour costs in total company costs (drawing on a company survey, see table 3.1). Boeri finds that company-level bargaining outperforms both sector and multi-tier bargaining forms (2014: table A2). He argues this is because two-tier forms combine the worst of both worlds –the rigidity of centralised systems but without the coordination that facilitates macroeconomic wage moderation (op. cit.: 17-18). While an interesting addition to new knowledge on two-tier systems, their analysis is considerably improved upon by the Braakmann and Brandl (2016) study reviewed above.

⁶⁴ This is the usual treatment, although see Blanchard (1997) for an interpretation that accounts for long-run change in capital stock.

Table 3.1 Summary of performance effects of selected statistical analyses of collective bargaining types

Research authors	Empirical scope	Analytical constructs for collective bargaining type	Results:		Supportive of policy to decentralize and/or dismantle CB systems?
			Real wage effects?	Other performance effects?	
Braakmann and Brandl (2016)	European company survey 2013 data, EU-28 +4	13 types according to combinations of bargaining level and governed/ ungoverned multi-level forms	--	Productivity: Higher level bargaining and 'governed' multi-level bargaining deliver best performance	No
Boeri (2014)	ECB company survey 2007-9, 9 countries	3 types: company level, sector level; two-tier form	Company CB associated with lower share of labour costs than in both sector and multi-tier forms	Use of merit pay: Higher use in firms with no CB or company level CB	Yes
Calmfors & Driffil (1988)	OECD manufacturing sector, aggregate country variables	CB centralization index	Hump-shaped relation	Unemployment: Hump-shaped relation	Yes where countries fit industry-level bargaining type
Dustmann et al. (2014)	Germany, 1995-2008	Trend of coordinated decentralization of CB	Decentralisation associated with smaller real wage growth	--	No
Eurofound (2015a)	Eurofound database, AMECO and ICTWSS ¹ , EU-28 1998-2012	Centralisation, coordination, opening clauses, social pact, derogation clauses, tripartite councils	Highest in countries with mix of uncoordinated CB and/or fragmented coordination plus local bargaining	--	No
Headey (1970)	13 OECD countries, 1945-1970	Centralised bargaining and voluntary incomes policies	Centralised bargaining associated with real wage restraint	--	No
OECD (2004)	OECD countries, 1970-2002 (3 periods), aggregate country variables	Union density, CB coverage, Centralisation&Coordination (average of two indicators)	No evidence of hump-shaped relationship	Unemployment: the reverse of a hump-shaped relationship Employment rate: inconsistent over three sub-periods Price inflation: lowest for intermediate countries	No
Traxler et al. (2001)	20 OECD countries, 1970-1996	Multiple, including bargaining level, associational	Rejects hump-shaped relationship with regard to	--	No

	centralization, corrected Calmfors&Driffil index, vertical coordination, horizontal coordination, etc.	bargaining centralization (non- significant coefficients)
--	---	--

Notes: CB=collective bargaining; 1. Institutional Characteristics of Trade Unions, Wage Settings, State Interventions and Social Pacts 4.0 (Visser 2013a).

Source: authors' original compilation of evidence.

The two major studies are by Traxler and colleagues (2001) and the OECD (2004). In their widely cited book, Traxler and colleagues developed a ground-breaking and widely accepted institutional characterization of wage regulation systems in Europe alongside a thorough statistical investigation into the economic effects. In a first assessment, the study tests the economic effects of bargaining levels but finds no evidence of statistically significant effects on nominal or unit labour costs (op. cit.: 234-9). The problem, Traxler et al. argue, concerns the lack of attention to issues of bargaining coordination. Therefore, rejecting the narrow focus on bargaining level, the study sets up 12 alternative country mixes of bargaining mode and bargaining governability, combining knowledge about associational governance, state interventions and horizontal and vertical coordination (see box 3.2). The results show that the absence or presence of governability is absolutely critical to the results; governed forms of horizontally coordinated wage bargaining are able to deliver strongest wage moderation of labour costs while ungoverned modes the weakest wage moderation; wage moderation here refers to the ability of economies to internalize wage externalities through coordination (op. cit.: table 4.12, p.239). Figure 3.4 presents the general pattern of results. The revised results *‘lack the elegance of a parametric solution [suggested by Calmfors and Driffill] but better fit reality’* (op. cit.: 284).

Figure 3.4 Summary results from Traxler et al.’s analysis of bargaining mode and wage moderation

Wage moderation			
Strong		Pattern bargaining	Voluntary peak-level coordination with high governability
	Uncoordinated bargaining		State-imposed coordination
Medium			
Weak			Voluntary peak-level coordination with low governability
	Low	Medium	High
Vertical coordination			

Source: copied from Traxler et al. (2001: figure 4.2).

The OECD’s (2004: tables 3.6, 3.7, 3.8) statistical analysis for 1970-2002 represents a second very useful benchmark study for reviewing the wage effects of collective bargaining, albeit far more stylized than Traxler et al.’s investigation. It reports three main findings which all reject the hump-shaped thesis:

- i. the three categories of countries (low, intermediate and high collective bargaining) display a changing relationship with the measure of real earnings growth in each of the three sub-periods so that the categorisation *‘is not very informative for predicting aggregate economic performance’* (op. cit.: 159);
- ii. the correlation coefficient between the measure of excessive real earnings growth⁶⁵ (in the private sector) and the degree of centralization of collective bargaining is close to zero in the 1970s and 1980s (0.05-0.08) and then moderately large but in fact negative during 1990-94 (-0.23) and 1995-2000 (-0.38); and
- iii. descriptive regressions find no evidence of a statistically significant effect of the variable ‘centralisation/coordination’ on the measure of excessive real earnings growth.

⁶⁵ Estimated as real hourly earnings growth in excess of total factor productivity growth (OECD 2004: 159).

It is worth noting that Traxler et al.'s (2001) classic analysis goes far beyond the other studies reviewed in this section by considering a host of other industrial relations variables. For example, the study separates out measures of 'associational centralization' of employers and unions and finds that in fact regressing growth of labour costs on each variable yields different results. Greater centralization of union organisation is negatively associated with labour costs (unit and nominal) while centralization among employers displays no statistically significant relationship (op. cit.: table 4.3).

The recent analysis by Eurofound (2015a) presents a very useful test of the real wage effects of eight bargaining types, which are used to classify all 28 member states with possible variation over the 1998-2012. Figure 3.5 presents a summary of the key results. Countries with strongly coordinated collective bargaining organized at intermediate or national levels register by far the lowest real wage growth (compensation per employee or per hour), while highest growth is recorded in countries with fragmented or absent coordination combined with local or intermediate bargaining level. As the report's authors put it, *'This suggests that wage moderation occurs with increasing centralisation of bargaining, which is at odds with the prediction of the Calmfors and Driffill (1988) theory'* (Eurofound 2015a: 75).

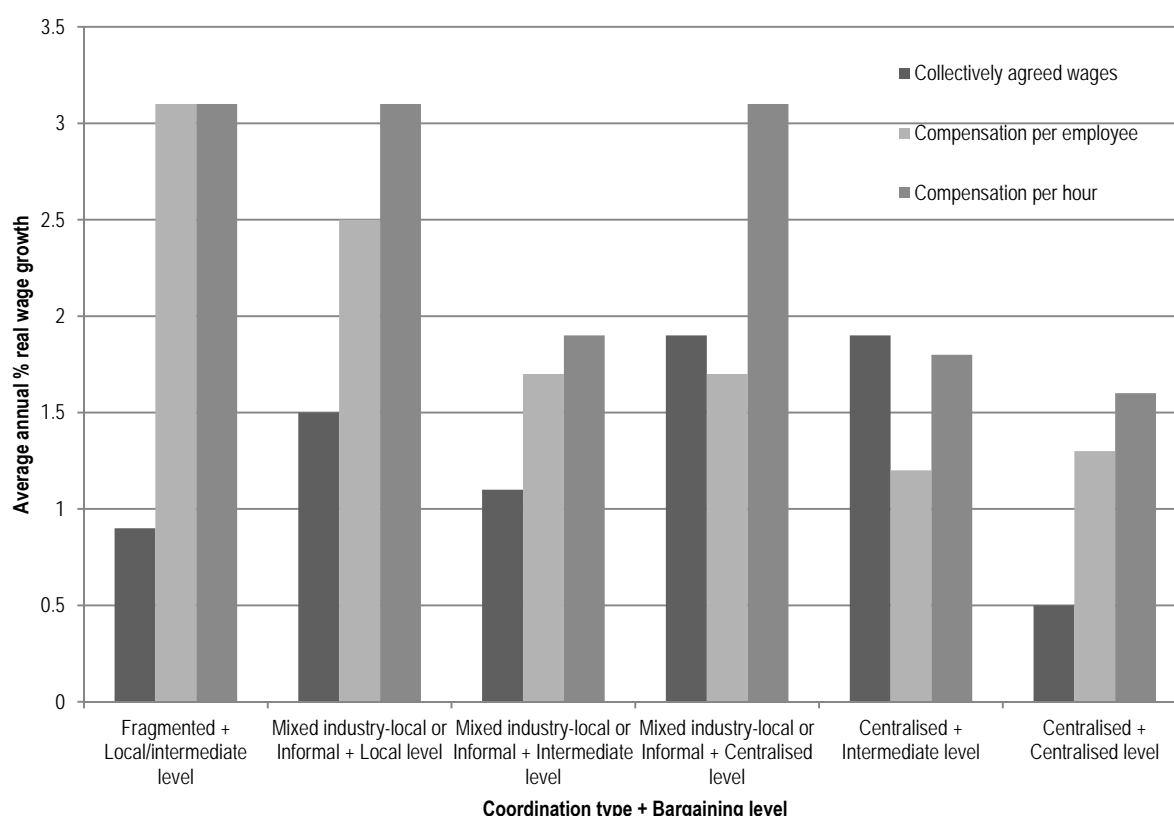
The Eurofound analysis includes several other interesting results including: countries where use of extension mechanisms is generally automatic register lower real wage growth than countries where its use is limited or exceptional; similarly, countries with limited or exception use of opening clauses⁶⁶ displayed the largest real wage growth over the period (op. cit.: 35-42). As well as the bivariate statistical relationships the report presents the results of regression analysis. The key results are:

- industry level bargaining, along with alternating company and industry bargaining, deliver smaller wage growth than company bargaining;
- there is no obvious association between the level at which coordination is governed and pay outcomes;
- uncoordinated bargaining generates higher wage growth than all forms of coordination (including state-sponsored, pattern-bargaining and intra- and inter-associational coordination);
- use of opening clauses has no marked impact⁶⁷;
- wage pacts are associated with lower collectively agreed real wage growth but have no impact on other wage measures; and
- countries with extensive use of extensions have lower wage growth.

⁶⁶ The study does not appear to distinguish between alternative types of opening clauses such as issue-based clauses that devolve regulation of specific issues such as working time as opposed to hardship clauses that allow one-time deviations in situations of hardship (Hayter 2016).

⁶⁷ Although we note there is no distinction between types of opening clauses –e.g. those allowing for internal flexibility (e.g. working time) and those that are crises related, or related to an enterprises' need for adaption in specific circumstances of economic difficulty.

Figure 3.5 Summary results from Eurofound's analysis of wage bargaining types, EU-28, 1998-2012



Source: adapted from Eurofound (2016: figure 10); authors' original compilation of bivariate statistical results.

Other studies focus on the effects of changes in wage-setting institutions within one country. A recent analysis of Germany's drift towards a model of coordinated decentralisation draws out the linkages with real wage developments (Dustmann et al. 2014). A combination of greater power to company-based works councils, relative to unions, and a decline in the share of workers covered by union agreements is associated with a decline in real wages, particularly pronounced among the lowest paid workers (op. cit.: figure 6).

Relative wage (distributional, segmentation and exclusion) effects

Interest in the effects on relative wages derives in part from mainstream economics reasoning that suggests insufficient wage differentiation between different workforce groups may constrain job opportunities for those in less advantaged positions, such as youth, women and less educated workers for example. In other words, if wages for these groups are too high relative to average earnings does it introduce obstacles against entry into paid employment?

Firstly, does the empirical evidence reveal a relationship between type of collective bargaining system (as well as its presence or absence) and relative wages? The answer is on the whole yes. Countries with higher coverage and more centralized and coordinated collective bargaining tend to deliver less dispersed wage structures (see section 3.2). Reflecting its interest in the causes of growing inequality, specifically associated with the rise of top-earners' income shares, and the possibility that this may be a problem for sustainable economic growth, a recent IMF working paper investigated the causal effects of wage-setting institutions and found evidence that *'the erosion of labour market institutions in the advanced economies*

examined is associated with an increase of income inequality' (Jaumotte and Buitron 2015: 27). Many studies delve deeper into the intricacies of the relationship. A good example is the paper by Dell'Aringa and Pagani (2007) who show that there are subtle differences between the inequality effects associated with two-tier structures that provide varying forms of coordination and autonomy for single-employer bargaining; they suggest that the strongly coordinated multi-employer bargaining systems found in Belgium and Italy deliver relative wage equality and even though there is opportunity for local-level wage drift this does not contribute significantly to increasing wage inequality; for Spain, the evidence is mixed. A similar analysis by Plasman et al. (2007) for Belgium, Denmark and Spain finds in fact that local bargaining in Spain has significant wage equalizing effects within the multi-employer bargaining framework, contrary to effects in Belgium and Denmark.

Secondly, the general investigation into wage inequality effects is complemented by various studies with respect to measures of relative wages for key workforce groups, including by age, gender and level of skill. The results from the OECD's (2004) multivariate regression analysis with data pooled for the entire 1970-2000 period are mixed (table 3.2). After controlling for union density and collective bargaining coverage, the index of centralization/coordination still displays a negative relationship with earnings inequality as predicted. Also, while the level of collective bargaining coverage has a statistically significant positive association with the relative earnings of youth and of women, regression analysis suggests that a diminishing in the level of centralization/coordination is associated with higher relative pay for women and young people, contrary to expectations (op. cit.: tables 3.7, 3.8). For these two groups, the correlation statistics confirm that their relative employment prospects improve with the index of centralization/coordination (positive or close to zero in all sub-periods examined). Further analysis that combines the effects of centralization/ coordination with union density and collective bargaining coverage simulates that a one-standard deviation increase in a combined measure of 'collective bargaining strength' has a positive effect on women's employment relative to men and on low-skilled workers, but a negative effect on prospects for youth and older workers relative to core-age workers (op. cit.: table 3.11).

Table 3.2. Results of OECD analysis of the effects of centralisation of CB on relative wages (bi-variate correlation coefficients)

	1975-79	1980-84	1985-89	1990-94	1995-2000
Earnings inequality	-0.83**	-0.77***	-0.67***	-0.40*	-0.51**
Young workers	0.69	0.48	0.30	0.48	0.30
Older workers	0.20	0.36	0.35	0.08	0.36
Female workers	0.74	0.57	0.25	-0.24	0.39

Source: adapted from OECD (2004: table 3.7) where ***, **, * denote statistical significance at the 1%, 5% and 10% levels, respectively.

3.4. Policy implications

We sum up this section by drawing out two headline points for the purposes of both advancing policy thinking and setting the scene for the detailed analysis of Greece's wage bargaining regime. The first point is that stylized labour economics models should not be used to underpin country-specific policy recommendations (see, also, Flanagan 1999⁶⁸). Leading economists are quite clear that their theoretical models are not robust instruments to guide real-world policy choices but rather abstract constructs suited for the logical analysis of price mechanics in stylized labour markets. Many acknowledge there is no such

⁶⁸ In his state-of-the-art review Flanagan concludes, 'Viewing the literature as a whole, however, the stronger reasons for caution in the area of policy appear to be (1) the current uncertainty about the effects of most bargaining institutions on most outcomes other than pay dispersion, and (2) the prospect that particular combinations of institutions may be more important than individual arrangements' (1999: 1173).

thing as a perfectly decentralized or centralized wage bargaining system and that countries have developed hybrid systems with an eclectic mix of institutional features across industries, occupations and regions. An extended quote from Calmfors, written during his time as a consultant at the OECD Economics department, is illustrative of the expressed need for caution.

The diversity of effects discussed in the paper makes it hard to arrive at unambiguous policy conclusions. It is unrealistic to expect one universally optimal set-up of bargaining institutions to exist for all countries. Because of historical traditions and varying structural characteristics of different economies, quite different wage-setting institutions may contribute to good macroeconomic performance in different places. ... Experience suggests that the gap between economic theorizing in this field and the more day-to-day considerations of the practitioners is huge (Calmfors 1993: 39, 41).

Similarly, in its 2004 assessment of the merits of its own ‘Jobs Study’ recommendations, the OECD cautioned that:

‘The overall fragility of the evidence linking collective bargaining to macroeconomic performance suggests that great caution should be exercised when attempting to draw guidance for making policy choices from this research’ (OECD 2004: 133).

The second headline point from our review is that more recent statistical analyses (by economists and comparative industrial relations scholars) provide a more useful, fine-tuned characterization of collective bargaining that better reflects the realities of wage-setting in organisations today. Furthermore, all the studies with one exception (Boeri 2014), are highly critical of policy reforms designed to diminish features of coordination, centralization and coverage of collective bargaining. The conclusions in Braakman and Brandl’s study are illustrative:

Given that past reforms and transformations of collective bargaining systems in the EU were predominantly geared towards the strengthening of company bargaining without any attention to the coordination and governability of collective bargaining, our analysis suggests that past reforms and current recommendations and reforms have resulted in a second best, or sometimes even a dampening efficacy (Braakmann and Brandl 2016: 28-29).

Our review suggests the recent raft of reforms in Greece is likely to have harmful economic consequences on areas of coordination, employment protection and so on. We investigate this proposition in the following sections of this report.

4. What effects on the structure, process and character of collective bargaining? Case-study findings

In this section, we present the empirical findings from the inter-sectoral and sectoral interviews as well as the company case studies to interrogate the implications of the regulatory changes for the structure, process and character in collective bargaining. So far, the majority of research in this area has focused on the emergence of the crisis and the particularities of Greece vis-à-vis other EU Member States affected by the crisis (e.g. Armingeon and Baccaro 2012; Featherstone 2011) and on the nature and extent of the crisis-related measures in labour law and industrial relations (e.g. Koukiadaki and Kretsos 2012; Yannakourou and Tsimpoukis 2014). Research is emerging on the actual impact of the measures on collective bargaining (e.g. Marginson and Welz 2015; Rocha et al. 2014) but this has relied so far predominantly on macro-level evidence and as such does not address a number of issues, including crucially the underlying rationales, potential tensions and externalities involved in the regulatory changes affecting collective bargaining arrangements (for exceptions see Koukiadaki et al 2016a and 2016b). Against this context, this section will provide a detailed survey of the changing landscape of collective bargaining in Greece on the basis of current developments in bargaining at inter-sectoral level and at sectoral and company levels in respect of the manufacturing and service sectors. Particular attention will be paid to the following issues: developments at sectoral/occupational and company levels, with an emphasis on coordination and articulation between different levels of bargaining; the availability and use of new actors, i.e. associations of persons, as well as changes in the associational capacity of employers' organisations and regulatory capacities of trade unions; and, the role of mediation and arbitration in enabling/constraining bargaining developments.

Drawing on a critical review of the findings, this section highlights four key issues. At broad level, the measures in conjunction with the deepening of the crisis have led to a crisis of collective bargaining at different levels, affecting both vertical and horizontal coordination. Firstly, at inter-sectoral level, the change in the regulatory function of the national general collective agreement impacted not only on the agreement itself but also on its interplay with lower-level agreements, weakening coordination across sectors, particularly given that wage bargaining has largely moved to the company rather than to the sectoral level. Secondly, there was significant contraction of sectoral and occupational-level agreements in most sectors, limiting the scope for coordination across different bargaining units. Thirdly, driven by the legislative changes prioritising company bargaining and permitting negotiations with unspecified employee representatives (associations of persons) in smaller companies there was an upsurge in company agreements at the expense of sectoral ones, complicating further the scope for coordination and increasing instead the scope for ungoverned and fragmented bargaining patterns. Ultimately, the absence of extension mechanisms for higher-level agreements, the defection of employers from their associations, the absence of a clear framework guiding company-level bargaining and the low density levels of unions prompted the development of 'disorganized' decentralisation and the collective bargaining system that is emerging could be best described as 'poorly governed'.

4.1. The effects of the reforms on the national general (inter-sectoral) collective bargaining agreement

In the pre-crisis period, the national general collective labour agreement (EGSSE) constituted a critical institutional mechanism for both horizontal and vertical coordination of wage-setting. It supported horizontal coordination through its role in the setting of a national wage floor, as well as other minimum standards for employees. It also shaped the character of vertical coordination between the different levels of collective bargaining in Greece by indirectly influencing the substantive content of lower level

agreements, that is at sectoral, occupational and company levels. However, this traditional role was undermined by a series of government reforms prompted by the crisis and political objectives. This section reviews the effects of reforms on the national agreement with particular attention to the elimination of its regulatory role in negotiating a national minimum wage.

During the crisis, there was evidence of some divergence in the approaches of the social partners to the direction and extent of changes in the industrial relations system. These differences were highlighted in the negotiations for the conclusion of the EGSEE for 2013. The 2013 agreement was the first to be concluded following Law 4093/2012, which abolished the regulatory function of the national collective agreement for fixing the national minimum wage. By that time, legislation had also reduced the level of the minimum wage set by the 2010-2012 agreement, and had suspended the application of maturity allowances, among others (see section 2). SEV, the employer body, was not a party to the 2013 agreement and proposed instead the conclusion of a protocol agreement by the social partners, arguing that this would strengthen the institutional *acquis* and would lead to a new model of a national agreement as well as extending the scope of dialogue to include issues of competitiveness.⁶⁹ However, the other national social partners (including, for the first time, SETE), which were signatories to the 2013 agreement, stressed the need to maintain the agreement as an active institution (for an analysis of the divergence between the national-level employers' associations during the crisis, see Aranitou 2012).

Despite the support provided to the agreement by most of the employers' associations, the abolition of the *erga omnes* effect of the agreement with respect to wage levels effectively meant that employers' federations were no longer able to participate in negotiations for the determination of wage levels. The reasoning was that if there was any indication in negotiations of intending to re-instate the minimum wage to its pre-crisis level, they would suffer significant losses in terms of membership.⁷⁰ As such, the 2013 agreement did not prescribe any wage levels, as used to be the case in the past, but stipulated that if the restrictions on the regulatory function were abolished, negotiations would start immediately between the social partners with an intention to determine anew the minimum wage levels.⁷¹ Despite the 22% cut in the minimum wage introduced by Law 4093/2012, the agreement explicitly stipulated the maintenance of the marriage allowance, emphasising its general and universal character;⁷² the signatory parties, including employers' associations, interpreted this as being included in the institutional terms of the agreement⁷³ and emphasised its significance, as it represented a supplement of around 10% on top of the basic minimum wage level.⁷⁴ Despite the abstention of SEV from the 2013 agreement, SEV advised its members to maintain the marriage allowance.⁷⁵

SEV became again a party to the 2014 national general collective agreement. The change was seen as providing some evidence of reconsideration of SEV's approach towards the industrial relations framework,⁷⁶ of an understanding of the adverse impact of non-participation on SEV itself⁷⁷ but also on SEV members as well (in the form of a deepening economic crisis that affected profit levels).⁷⁸ According to SEV, 'the [2014] national collective agreement does not introduce anything new, but it brings back the institution in order to be available when the diplomatic relationship between the two parties is restored and if something changes in terms of the legislation'.⁷⁹ For its part, GSEE requested that the basis for the

⁶⁹ SEV, interview notes.

⁷⁰ Since the crisis has started, one sectoral federation has ceased to be a member of GSEVEE (GSEVEE, interview notes).

⁷¹ Preamble to the national general collective agreement of 2013.

⁷² Article 1 of the national general collective agreement of 2013.

⁷³ GSEVEE, interview notes.

⁷⁴ ESEE, interview.

⁷⁵ SEV, interview notes.

⁷⁶ GSEVEE, interview notes.

⁷⁷ GSEE, interview notes.

⁷⁸ OVES, interview notes.

⁷⁹ SEV, interview notes.

negotiations should be the 2010 agreement, which stipulated, among others, that the monthly minimum wage was € 751.39 and that it should maintain all allowances incorporated in previous collective agreements and arbitration decisions, especially those concerning marriage, 3-year maturity increases, leave, Christmas and Easter.⁸⁰

The national-level actors re-affirmed in the 2014 agreement their support to the institution of collective bargaining. In this respect, evidence of procedural innovation was provided and a commitment was undertaken to consider actions related to the issues of the ‘after-effect’ of collective agreements, the restoration of the *erga omnes* effect of the national general collective agreement and the extension of sectoral and occupational collective agreements on the basis of the principle of equal treatment and in order to reduce unfair competition among companies. Further, the social partners committed to work together with the ILO to address issues related to the structure of tripartite social dialogue, sectoral collective bargaining, vocational education and training and prohibition of discrimination.⁸¹ Aside from these commitments, the national agreement maintained the provisions of the 2013 agreement (including the marriage allowance) and stipulated for the first time the right of fathers to (unpaid) parental leave.⁸²

The 2014 national general collective agreement was extended in September 2015 until the end of 2015 and was then renewed in 2016. The invitation by GSEE, sent in December 2014, invited action in respect of the following issues: the re-instatement of the national minimum wage levels, as stipulated in the 2010 agreement (€751.39 monthly rate and €33.57 daily rate) and of the *erga omnes* effect of the monetary and institutional terms of the agreement, the re-introduction of the extension mechanisms and the after-effect rules as well as the incorporation of the agreement between the social partners in Geneva⁸³ in respect of introducing no changes in the areas of collective redundancies, lock-out and trade union legislation.⁸⁴ Driven by the increase in atypical forms of employment (e.g. part-time and short-time work) and under-declared or undeclared work, the developments in the refugee crisis and on the basis of European developments,⁸⁵ the 2016 agreement stipulated a commitment to undertake action to deal with the refugee crisis⁸⁶ and to implement the 2010 European Framework Agreement on Inclusive Labour Markets.⁸⁷ In line with the previous inter-sectoral agreements (i.e. 2013 and 2014), the agreement re-iterated the intention of the parties to start negotiations with a view to determine the MMW levels as soon as the restrictions on the regulatory function of the national general collective agreement would be removed.⁸⁸

While efforts were made by all parties during this period jointly to maintain the institution of national general collective agreement, the operation of the new legal/institutional framework inhibited significantly the scope for the development of more meaningful social dialogue at inter-sectoral level.⁸⁹ Somewhat consistent with the pre-crisis pattern of inter-sectoral dialogue, the agenda of negotiations remained narrow, according to employers’ associations, and did not incorporate issues of competitiveness and economic growth.⁹⁰ Further, no attempts were made by the parties to the agreement in respect of

⁸⁰ GSEE Press release, Start of Collective Negotiations for the National General Collective Labour Agreement, 18 April 2013.

⁸¹ Article 1 of the national general collective agreement of 2014.

⁸² Article 2 of the national general collective agreement of 2014.

⁸³ A one-day Tripartite High Level meeting was held at the ILO HQ in Geneva with the participation of the Minister of Labour Vrontsis and Secretary General Stratinaki, and the leadership of the five institutional social partners operating at the national level (GSEE-Mr Panagopoulos; SEV-Mr Fessas & Mr Kyriazis; ESEE-Mr Korkidis, and GSVEE-Mr Kavathas, SETE-Mr Andreadis, Mr Vernikos). The meeting, facilitated by the ILO Director-General, focused on the areas of collective dismissals and industrial action and a text on conclusions was jointly agreed between the Greek Social Partners and the Ministry of Labour.

⁸⁴ GSEE Press release, Start of Collective Negotiations for the National General Collective Labour Agreement, 31 December 2014.

⁸⁵ ESEE, interview notes.

⁸⁶ Article 3 of the national general collective agreement of 2016.

⁸⁷ Article 4 of the national general collective agreement of 2016.

⁸⁸ Article 2 of the national general collective agreement of 2016.

⁸⁹ GSEE and GSEVEE, interview notes.

⁹⁰ ESEE and SEV, interview notes.

regulating the articulation of lower-level bargaining with a view to guiding bargaining patterns between employers and trade unions at those levels or towards ensuring coordination in wage-setting in the form of national social pacts.

At the time of writing (June 2016), a specific challenge identified by all actors concerns the uncertainty over the determination of the national minimum wage following the expiry of the current system at the end of 2016.⁹¹ Law 4093/2012⁹² provided that a process of fixing the statutory minimum wages and salaries for workers employed under private law would be introduced by an Act of the Ministerial Cabinet by April 2013. Guidelines for determining the minimum wage would include: the situation and prospects of the Greek economy, the labour market (rates of unemployment and employment) and the outcome of the consultation with representatives of the social partners, as well as specialized scientific bodies. The national-level social partners, employers and trade unions alike, noted their strong objections to the radical reform of the system for determining the minimum wage, which removed the *erga omnes* effect application of the wage-related provisions of the agreement.⁹³ GSEVEE, ESEE and SETE expressed support for re-instating the *erga omnes* effect of the national general collective agreement (including in respect of the minimum wage levels), involving crucially the abolition of the new youth sub-minimum wage and the gradual increase of the minimum wage to €751. The proposal by ESEE included a two-year plan to re-instate the minimum wage gradually, from €586 Euros up to €680 and then €751.⁹⁴

Overall, all parties to the agreement noted the substantial impact of the legal changes on the role of the national general collective agreement *per se*.⁹⁵ In light of the traditional pattern-setting role of the inter-sectoral agreement in the pre-crisis period, the legal changes directed at the regulatory function of the national collective agreement risked affecting the effective operation of lower-level, i.e. sectoral and occupational, bargaining and bargaining coordination across sectors as well. It is this issue that the report turns to consider next.

4.2. The effects of the legal changes on sectoral and occupational collective bargaining

As analysed in section 2, an important component of the changes in the regulatory framework, which were adopted during the crisis, concerned the institutional arrangements for sectoral-level bargaining; the latter used to be the dominant level of bargaining in the pre-crisis period. Qualitative and quantitative empirical evidence (see also section 5) suggests that since the emergence of the crisis and in light of the changes in collective labour law, sectoral and occupational-level bargaining has undergone fundamental change as a source for determining terms and conditions of employment. The most obvious development has been the drop in the overall volume of bargaining, as the parties found it difficult to reach agreement in the absence of appropriate legal-institutional incentives, as prevailed prior to 2011/2012 (see Table 4.1 and section 5).

⁹¹ GSEE, interview notes.

⁹² Ratification of Mid-term Fiscal Strategy 2013-2016, Urgent Regulations relating to the Implementation of Law 4046/2012 and the Mid-term Fiscal Strategy 2013-2016.

⁹³ See also the Opinion of the Economic and Social Committee on the 2015 draft Bill regarding the amendments to Law 1876/1990 (Economic and Social Committee 2015).

⁹⁴ ESEE also proposed the replacement of the unemployment benefit with an allowance for the promotion of employment (ESEE, interview notes).

⁹⁵ ESEE, GSEVEE, GSEE, SETE and SEV interview notes.

Table 4.1 Collective agreements and arbitration decisions in the period 2010-2016

	Regional/Local Occupational ⁹⁶		Sectoral/National Occupational		Company	
	<i>Collective Agreements</i>	<i>Arbitration Decisions</i>	<i>Collective Agreements</i>	<i>Arbitration Decisions</i>	<i>Collective Agreements</i>	<i>Arbitration Decisions</i>
2010	14	5	65	30	227	13
2011	7	1	38	17	170	8
2012	6	0	23	8	976	0
2013	10	0	14	0	409	0
2014	5	0	14	3	286	0
2015	7	0	12	11	263	1
2016	6	0	8	6	217	3

Source: Ministry of Labour and Social Security, authors' original compilation (June 2016).

The legal/institutional changes affecting higher-level bargaining, including most notably the suspension of the extension of higher-level collective agreements and the statutory NMW reductions, effectively discouraged employers from continuing with the practice of sectoral bargaining. These operated in conjunction with trade union resistance against wage cuts to lead to blockades for the renewal of sectoral and occupational agreements. At a broader level, political and economic factors hindered further the incidence of bargaining: in respect of the former, the changes in the political context (under both the previous and present administration) brought uncertainty in respect of the direction of the policy changes; in respect of the latter, the extent of the economic crisis and the negative impact on companies provided further incentives for the lack of renewal of collective agreements.⁹⁷

The qualitative evidence gathered for the purpose of the report illustrates the trends described above. While SEV used to be party to around 60 such agreements covering different sectors until 2010, the federation has refrained from concluding any agreement at these levels since the implementation of the changes. The radical cut in the NMW levels and the absence of extension measures meant signatories to a collective agreement were at risk of social dumping. The SEV representative explained:

'The removal of the extension mechanism and the determination of the national minimum wage by statutory legislation have changed completely the framework for collective bargaining [...] Employers are concerned that if they come to an agreement with unions on wages, they will have a competitive disadvantage against smaller firms, which pay less and use undeclared work. Therefore, employers have stopped participating in wage bargaining. And the employee side has also stopped demanding the conclusion of sectoral agreements, because they understand pretty much that there's no way to squeeze something out of the employers' (SEV, interview notes).

An inter-locking development affecting the incidence of higher-level agreements concerned the 2012 changes in the arbitration system, i.e. removing the unilateral right to arbitration, which then led to a sharp decline in arbitration decisions. No arbitration decisions concerning sectoral agreements were reached in 2013 (Table 4.1). While in a number of cases, it was employers' associations that refused to agree to have recourse to arbitration, trade unions were unwilling in some cases to consider arbitration either, as this would possibly entail reductions in the collectively agreed wage rates of the expired collective agreements.⁹⁸ It was indeed the case that on the part of trade unions, they found themselves *'in defence'*

⁹⁶ Regional and local occupational agreements concern agreements covering specific occupations in a specific region or city/town.

⁹⁷ GSEVEE, interview notes.

⁹⁸ SEV, interview notes.

and ‘sought ways to maintain their role in regulating wages and terms and conditions of employment’.⁹⁹ Within the new regulatory framework, trade unions had essentially two options. The first was to agree to significant concessions, in the form primarily of wage reductions, in exchange for the continuous support by employers of higher-level bargaining. The second option (available though up to 2014 and at the end of 2014 and afterwards), was to have unilateral recourse to arbitration, whilst simultaneously accepting that any arbitration decision would not provide much in terms of wage levels and non-wage provisions (Kapsalis and Triantafyllou, 2012: 19).

There was even evidence to suggest that employers’ federations were not willing to participate in mediation either. This was the case, for instance, in the case of the efforts made to renew the sectoral agreement covering restaurants.¹⁰⁰ The GSEVEE interviewee explained: ‘Unfortunately, there has been a change of culture and the logic that prevails among sectoral employers says that “now that we are on top, let’s be the boss”’.¹⁰¹ The abolition of the unilateral right to arbitration intersected in effect with the other changes in the system of collective bargaining, including the removal of extension mechanisms, to limit the scope for renewal of higher-level agreements. This meant that bargaining was no longer operating in the ‘shadow of arbitration’ and other promotional measures in ILO Convention 154 and Recommendation 163.

Whilst these developments had a ‘chilling’ effect on the use of arbitration as a means to secure the renewal of agreements, some employers’ associations held that the bargaining agenda was broadened in certain sectors, reportedly as a result of the changes in the arbitration rules. In the retail sector, the ESEE interviewee noted:

*‘In the pre-crisis period, negotiations used to take place under the pressure and threat of arbitration. The best negotiations with OIYE [the trade union federation representing retail workers] took place during the two collective agreements concluded during the Memoranda, where we discussed issues of substance. No such agreements will be concluded again in the absence of extension mechanisms’.*¹⁰²

Similarly, in the hotels sector, the POX interviewee stressed:

*‘In the previous agreement [2013], we agreed to introduce a provision in the agreement dealing with working time; we discussed, and our discussion became more important because of this [removal of the unilateral right to arbitration].’*¹⁰³

Despite the broadening of the bargaining agenda, limited consideration was given by the parties towards incorporating issue-based clauses devolving regulation of specific issues such as working time to company-level negotiations and/or clauses allowing one-time deviations in situations of hardship (Hayter 2016).¹⁰⁴ The lack of discussion around these issues was attributed firstly to the pre-crisis framework, involving crucially the application of the principle of favourability and the pattern-setting role of the inter-sectoral agreement, which inhibited the development of dialogue around these issues.¹⁰⁵ But importantly, it was also linked to the abolition during the crisis of the favourability principle and the provision of scope for company-level derogations via legislation, negating in effect any incentives for the parties to agree jointly on the scope and conditions for such derogations.¹⁰⁶

⁹⁹ GSEE, interview notes.

¹⁰⁰ POEE-YTE, interview notes; see also the analysis below.

¹⁰¹ GSEVEE, interview notes.

¹⁰² ESEE, interview notes.

¹⁰³ POX, interview notes.

¹⁰⁴ Some evidence of working time derogations was found in the national and regional sectoral agreements in the hotel sector (see section 6).

¹⁰⁵ OIYE, ESEE, POEE-YTE interview notes.

¹⁰⁶ SEV and POX, interview notes.

Following the decision by the Council of State, which found that the unilateral right to arbitration was compatible with the Greek Constitution and the introduction of legislation re-instating the unilateral right to arbitration (albeit with certain changes in the arbitration process), the number of arbitration decisions started to pick up in respect of sectoral and occupational agreements (see Table 4.1 and section 5). However, concerns were expressed by both parties in respect of relying on arbitration as a means to support the conclusion of agreements. On the employer side, there was a perceived risk that the re-instatement of the unilateral right to arbitration would interact with the lack of extension to lead to an even greater defection of employers from associations: any agreements reached through arbitration would be binding only on ‘trapped employers’ associations and their members’ at a time when non-organised employers would still be able to use the NMW, leading to unfair competition and intensifying further the surge towards employer defection from their associations.¹⁰⁷ A second issue concerned the extent to which the operation of the arbitration system, as amended, would revive provisions related to allowances and other institutional terms in expired agreements.¹⁰⁸ But on the union side, there was evidence of restraint in the use of arbitration (including in the retail and other services sectors), partly as a result of concerns in respect of the changes in the arbitration process but also partly as a result of concerns about the content and effective implementation of any arbitration decisions that would be issued.¹⁰⁹ A different approach was adopted in the case of hotels: in response to the collapse of the regional employer’ association in Heraklion and the increasing recourse by employers to the use of ‘associations of persons’, trade unions made use of the arbitration process to promote negotiations for the conclusion of company-level agreements.¹¹⁰

The suspension of the extension mechanisms (with collective agreements now being binding only for employers that were members of the associations, which conclude such agreements) presented significant implications for the associational capacity of employers’ organisations. The clearest cases of disintegration were found in respect of the associations representing large manufacturers and employers in the hotel sector in Heraklion. In the first case, i.e. large manufacturers, evidence suggests that the association had around 38 members in 2014, a halving of membership since 2008. In the case of the hotel sector in the Heraklion region, the employer association experienced a significant number of defections by its members.¹¹¹ But this was not reflected in at national level and no specific pressure by members was reported in respect of POX’s negotiating position, this being attributed to the broadly good relationship between the parties.¹¹² In retail and services, the extent of business closures affected the membership levels of employers’ associations.¹¹³ Whilst no specific changes in membership levels were reported by associations representing other SMEs (e.g. POVAS in metal manufacturing), changes in attitudes were observed, with members showing increasing lack of interest in participating actively in the activities of the employers’ associations, partly as a result of the economic crisis but also partly as a result of the legal changes.¹¹⁴

The changes in the ‘associational capacity’ of employers’ organisations affected not only the scope for the renewal of collective agreements but also the effective implementation of existing collective agreements. In the retail and service sectors, the loss of membership was disputed by the trade union federation and it was argued instead that employers’ associations were reluctant to publicise their

¹⁰⁷ ESEE, interview notes.

¹⁰⁸ ESEE, SEV and GSEVEE, interview notes.

¹⁰⁹ OIYE, POEE-YTE, interview notes.

¹¹⁰ POEE-YTE and Heraklion Labour Centre, interview notes. A case is also pending before OMED regarding the agreement in the confectionary sector covering the small industry of the sector and the pastry shops.

¹¹¹ POX, interview notes.

¹¹² POX, interview notes

¹¹³ SELPE, ESEE, GSEVEE interview notes.

¹¹⁴ POVAS, interview notes.

membership so as to avoid compliance with collective agreements.¹¹⁵ As a result of the lack of provision of information on the membership levels of the employers' associations,¹¹⁶ it was considered very difficult to monitor compliance with higher-level collective agreements. In this respect, the limited scope for monitoring employer compliance with collective agreements was considered one of the main reasons for the lack of trade union pressure towards renewing the agreements in the retail and service sectors.¹¹⁷ Not all trade unions adopted the same approach: an example in this case was POEE-YTE, which continued its efforts towards renewing the sectoral agreements to which it was a party, whilst accepting that only a minority of employers would ultimately be bound by these.¹¹⁸ An indirect but important effect of these developments concerned also the reduction of horizontal coordination, between companies that continued being members of the employers' associations and those that were no longer members and as such were not bound by the collective agreements.¹¹⁹

Against these developments, employers' associations in all sectors surveyed for the present report expressed significant concerns about the impact of the legal changes regarding higher-level collective bargaining on unfair competition practices (on the basis of labour costs). In this context, employers' associations at both national general and sectoral levels (including ESEE, GSEVEE, SETE, POVAS, POX, EOVEAMM, POVAKO) were in favour of the re-instatement of the extension mechanisms (coupled though with changes to minimise the risk of the 'domino effect' under the previous system) as a means to support the development of a 'well-governed' bargaining system. Importantly, a large number of employers in our company case studies also viewed favourably the operation of higher-level agreements, as supported by extension mechanisms, on the basis that these provided a stable framework for employment relations and limited the scope for competition between companies on the basis of labour costs (e.g. LargeRetailCo, MediumRetailCo, ConfectionaryProduction&RetailCo, LargeRetail&OtherServicesCo and LargeOtherServices1Co).¹²⁰ While in the case of SMEs, preference was expressed by employers in some cases for increasing company-level flexibility, this was coupled with a widespread consensus in favour of mechanisms that would shelter them from the operation of employee representation mechanisms, including not only trade unions but also non-union ones in the form of associations of persons (e.g. SmallMetal1Co, SmallMetal2Co and SmallFood&DrinksCo).

Diverse developments in sectoral collective bargaining

Against the context of pressure on employers' associations and trade unions alike, a number of sectors experienced significant blockages in bargaining. **Metal (large) manufacturing** was one of the first sectors to be affected by the crisis due to its traditionally international exposure through exports and the sensitivity to the fall of demand in the construction industry. Following the legislative changes and once it became clear that the unions in the sector would not agree to significant (22%) wage reductions demanded by the employers' association (ENEPEM), the latter withdrew from the negotiation process.¹²¹ Similar developments were reported in the case of the sectoral agreement covering employees in **silver and goldsmith manufacturing**: the employers' association (POVAKO) withdrew its support for the conclusion of the 2012 agreement once the union refused wage cuts of 15%. In both cases, there had been pre-crisis demands by the members of the employers' associations (ENEPEM and POVAKO) for greater

¹¹⁵ OIYE, interview notes.

¹¹⁶ Employers' associations argued that the provision of such information to unions would be in breach of data protection legislation (SEV and ESEE, interview notes).

¹¹⁷ OIYE, interview notes.

¹¹⁸ POEE-YTE, interview notes.

¹¹⁹ SEV, interview notes.

¹²⁰ An exception to this pattern was observed only in a small number of large companies, including LargeFood&DrinkCo, LargeOtherServices2Co and LargeRestaurants.

¹²¹ Negotiations again opened recently between the parties but no outcome has been reported yet.

flexibility in wage determination. The absence of legal/institutional incentives that would have persuaded the parties to sit at the negotiating table reinforced thus pre-existing cleavages between the parties, leading ultimately to the collapse of bargaining.

In the **food and drinks manufacturing sector**, a sectoral agreement was concluded in the summer of 2009, which included a 5.5% wage increase, but since then negotiations have stalled. The scope for competition between employers that negotiated with company unions to maintain wage levels and those employers that were left relatively unconstrained (due to union absence at company level) to impose changes limited to a significant extent the scope for maintaining sectoral bargaining in the new regulatory landscape.¹²² So for more than five years there has been no sectoral wage settlement.

An exception to this bargaining pattern in manufacturing was provided in the case of **other metal manufacturing** (i.e. metal production, processing, repair, assembly and packaging in automotive, machine and motorcycle repair). A sectoral collective agreement was concluded in 2013 between the employer federations representing SMEs (GSEVEE, EOVEAMM, POVAS and POEM) on the basis of joint agreement of a wage freeze at levels fixed in the 2010 agreement. The conclusion of the 2013 agreement was justified on the basis that it would provide a much needed guiding framework in the absence of trade unions in such companies (e.g. SMEs) and in the context of significant dependence on trust relations with individual employees.¹²³ The agreement was extended (up to 2015) but without the participation of EOVEAMM. A new agreement was concluded in 2015 between GSEVEE, POVAS and POEM that maintained the same wage levels, but again without the participation of EOVEAMM.¹²⁴

Evidence of successful bargaining was also provided in the sectors covering **tobacco and cement production**. The long tradition of social dialogue (at both sectoral and company levels) in conjunction with the small number of companies as well as the fact that these were mainly large companies, which had a tradition of company-level bargaining, were seen as contributing to the successful renewal of the agreements in these sectors..¹²⁵

There is similar evidence of heterogeneity in the service sector. In the **retail sector**, the last (2012) agreement was concluded by ESEE and GSEVEE (on the employer side) and OIYE (on the union side). The 2012 sectoral agreement stipulated wage reductions of 6.7% and the entry wages were set at €860 per month.¹²⁶ Since the expiry of the agreement, it has not been renewed. Importantly, there was no change in the character of bargaining (it was still considered cooperative by all parties) and there was some evidence of procedural innovations (in the form of the development of a joint protocol for negotiations).¹²⁷ However, differences existed between the parties in respect of the content of the agreement. On the employer side, ESEE sought the simplification and reduction of occupational categories recognised in the agreement (from 17 to 2-5), the increase of the length of maturity allowances (from 2 to 3 years) and the reduction of the basic wage levels (from 860 to 751 Euros). While there were reactions from its members in respect of the suggested wage rates (members were reportedly asking for greater wage reductions), the conclusion of a sectoral agreement with the cuts down to 751 Euros in respect of the basic wage rates (as

¹²² Federation of Milk, Food and Drinks Workers, interview notes. Negotiations again opened recently between the parties but no outcome has been reported yet.

¹²³ EOVEAMM and POEM, interview notes.

¹²⁴ The expiry date for the latest agreement was set for the 15th of August 2016.

¹²⁵ SEV, interview notes.

¹²⁶ In the pre-crisis period, the agreement was concluded between ESEE, GSEVEE, SELPE and SESME on the side of employers and OIYE on the side of workers.

¹²⁷ The protocol concluded on the 31st of October 2013 reiterated the intention of the parties to continue negotiations and protect both employers and employees in the sector. A common agreement on the 23rd of December 2013 included the following points: first the new sectoral agreement that would be concluded would not be linked with the NMW levels set out by legislation; second, the parties would work with the ILO to evaluate the developments in collective bargaining in retail in other countries and to activate the research teams of the parties (ESEE, GSEVEE and OIYE) to research and develop a new plan for the national sectoral collective agreement in retail.

suggested by ESEE) was deemed necessary for the promotion of industrial peace and institutional balance between by the parties as well as for the promotion of growth of consumer demand in the sector.¹²⁸ The employer association's demands were not accepted by the trade union federation, OIYE, on the basis that there were no safeguards for ensuring compliance by employers.¹²⁹

Similarly, the retail agreement, which covered department stores (SELPE) was terminated during 2012. The OIYE–SELPE collective agreement was signed in January 2012. It was backdated to cover the period since 1 January 2010 in order to bridge its coverage with the previous collective agreement in the same jurisdiction. But after the February 2012 reforms, it was terminated on the 20th of April 2012 as a result of the employers' initiative.¹³⁰ The termination of the agreement was driven by the need of the employers' association to allow its members to define the salary scales differently and respond to the economic pressures following the Cabinet Act of February 2012 that reduced significantly the NMW levels.¹³¹

A failure to conclude a collective agreement in the **restaurants sector** was also reported. In this case, both employer associations that were party to previous agreements denounced the 2010 arbitration decision and asked for the renegotiation of the decision in 2012, requesting a 15% wage reduction, the narrowing down of the allowances on the basis of the Ministerial Council Act 6/28-2-2012, the determination of Christmas and Easter allowances on the basis of the inter-sectoral agreement, the opening up of negotiations on the number of occupational categories and the modernisation of the agreement. Negotiations then stalled and ultimately the employers' associations refused to participate in a process of mediation.¹³² The process was recently referred to arbitration but the case was still pending at the time of research.

Similar developments to some extent were reported in the case of the agreements covering the **production and retailing of confectionary products**. The parties attempted during the crisis to find a balance in order to renew their sectoral collective agreement. This was achieved in 2012 when unions and employers renewed the part of the agreement that covered pastry shops and provided for wage cuts of 12%. However, the parties have failed since then. The preexisting sectoral collective agreement was a dual agreement that covered on the one hand the small and medium-sized companies and on the other hand the pastry shops. The pastry shop subsector resembles the restaurants sector, while the small industry subsector has more in common with the characteristics of the manufacturing sector. Further, significant divergence existed between the employers representing confectionary production companies and trade unions, with demands for 26% wage cuts on the employer side and 15% on the trade union side. These issues caused diverging views of the parties on both sides and the dispute was referred for a settlement under the new system of arbitration.¹³³

In a similar vein, no agreement was reached during the crisis in the case of the other service sector (a multi-employer agreement covering office-based employees in services). Following the 2010 arbitration decision, no attempts were made by either party to negotiate a collective agreement, with the legal/institutional changes in conjunction with employer fragmentation, the absence of established partners on the employer side and losses in trade union membership hindering effectively the conclusion of an agreement.

¹²⁸ ESEE, interview notes.

¹²⁹ OIYE, interview notes.

¹³⁰ Collective agreements can be terminated by either side after their first year in force. That one at the time it was signed, it was already running for its third year.

¹³¹ SELPE, interview notes.

¹³² POEE-YTE, interview notes. An interesting aspect here concerned the pre-existing tension between employers in the sector, with the big fast-food chains challenging the representativeness of the employers' association (POESE) and setting up an association (SEPOA) representing such chains (LargeRestaurantsCo management and POEE-YTE, interview notes).

¹³³ An arbitration decision was issued on the 23rd of June 2016.

In contrast to the developments in the majority of the manufacturing and service sectors, sectoral collective bargaining continued to operate in the **hotel sector**, providing for wage cuts in 2012 but wage freezes and small increases since then (see section 6 for the main provisions in terms of wage levels and other issues, including working time). The employer representative explained:

*'The conclusion of agreements is related to the leadership of the association and the trade unions: both showed goodwill in terms of agreeing to terms that are satisfying for both sides and safeguard existing fundamental rights'.*¹³⁴

The 2016 national sectoral agreement included a provision stipulating that 'the parties agree to the declaration of the agreement as generally applicable in line with Article 11 of Law 1976/1990'.¹³⁵ A request supported by both parties (POX and POEE-YTE) was submitted to the Ministry of Labour for a declaration of general applicability of the agreement¹³⁶ but due to the restrictions in the existing legislative framework, it was held that the agreement could not be declared generally applicable.

While national sectoral bargaining in the hotel sector continued uninterrupted, challenges were though identified in respect of the renewal of regional sectoral agreements.¹³⁷ In some cases, such agreements were renewed (e.g. Lasithi)¹³⁸ but this was not the case in respect of others (e.g. Rethymno and Iraklio). In Iraklio, the employers' association experienced a significant number of defections by its members and following internal organisational issues (resignation of the management council members),¹³⁹ there was a failure to renew the regional sectoral collective agreement in 2015-2016. In light of these developments, the first-level union federation (Heraklion Labour Centre) made efforts to secure collective agreements with individual employers; these efforts consisted of inviting 110 employers individually to negotiations for the conclusion of company-level agreements.¹⁴⁰ It was recognised that this was an extremely difficult initiative, as it would entail significant organisational difficulties both for the trade union but also for OMED.¹⁴¹ At the time of research, nine such company agreements had been concluded consequently between individual employers and the Labour Centre. Further, despite the renewal of the higher-level national sectoral agreement, interview data suggest that as a result of the defection of single employers (e.g. in the Chalkidiki region) and of the collapse of regional employers' associations (e.g. in the case of Heraklion) only half of the 135,000 workforce employed in the sector were covered in 2016.¹⁴² The non-renewal of occupational agreements covering other employees in hotels (e.g. accountants, office-based employees, gardeners) limited further the extent to which employees in the sector were covered by higher-level collective agreements.

4.3. The effects of the reforms on company-level bargaining

With the intention of creating a more flexible bargaining system, the crisis-related measures introduced specific incentives for the decentralisation of collective bargaining to the company level. For present purposes, decentralisation means '*a downward movement of placing the locus of decision-making on wages and working hours closer to the individual enterprise*' (Visser 2013b: 23). From a legal-institutional point of view, it also means less state interference in the setting of wages and conditions, and

¹³⁴ POX, interview notes.

¹³⁵ Article 5.

¹³⁶ Application no 5849/19-2-2016 submitted by POEE-YTE.

¹³⁷ The conclusion of regional sectoral agreements was justified on the basis that despite the seasonality of economic activity the sector provided the main source of employment for the regions.

¹³⁸ However, even in this case, problems were reported in respect of the lack of willingness initially on the part of the Association of Hotel Owners of Ierapetra to continue being a member to the Lasithi regional sectoral agreement.

¹³⁹ POX, interview notes.

¹⁴⁰ With the exception of one company, no company agreements were concluded in the sector in the pre-crisis period.

¹⁴¹ POEE-YTE, interview notes.

¹⁴² POEE-YTE, interview notes.

allowing more flexibility in the application of legal norms, by allowing, for instance, derogations from legal standards and the favourability principle (Visser 2013b: 24). In the case of Greece, this entailed primarily the suspension of the favourability principle and the provision of scope to ‘associations of persons’ to conclude company-level agreements. These were combined with the removal of state support for higher-level agreements, limiting thus extensively the scope for the emergence of provisions articulating negotiations between the sector and company levels, which could have provided a framework for the development of ‘organised decentralisation’ in bargaining.

Against this context, quantitative empirical evidence suggests that the contraction in sectoral and occupational bargaining was accompanied by an increase in company-level agreements (see also section 5 below). In contrast to the pre-crisis landscape of bargaining, company-level agreements are now the predominant form of collective bargaining and in 2015 they represented 94% of the total number of collective agreements. This trend constitutes a continuation of the developments in the previous years, especially during the period 2012-2015, during which company-level agreements have exceeded 90% of all agreements (2012: 97,11%, 2013: 96,69%, 2014: 93,77%) (INE-GSEE 2016: 20). The highest rate of company-level agreement was reported in 2012 (976 agreements in contrast to 170 in 2011); importantly, 2012 marked the start of the implementation of Law 4024/2011.

Our company case-study evidence (see Annex to the report) suggests a stability of company-level bargaining in cases where this constituted the means for determining wage levels and other issues in the pre-crisis period. This was the case predominantly in the manufacturing sector (i.e. LargeMetalCo, MediumMetalCo, LargeFood&DrinksCo, MediumFood&DrinksCo). But evidence of this was also provided in the service sector (i.e. LargeRetail, MediumRestaurants, LargeRetail&OtherServicesCo and LargeOtherServices1Co). No cases were found where company-level agreements were used for the first time during the crisis except in the case of hotels in the Heraklion region, where the agreements were negotiated between management at company level and the first-level trade union, the Labour Centre of Heraklion (in the absence of the renewal of the regional sectoral agreement). In the manufacturing sector, an increase in the establishment of new company trade unions was reported for the purpose of mobilising collectively the workers against the employers’ attempts to use the crisis and the legislation to lower terms and conditions of employment.¹⁴³ More broadly, some evidence of coordination at union level was available at regional level with the intention of synchronising union demands during negotiations.¹⁴⁴ In the metal sector, there was some evidence of local trade unions in the Attica region implementing a policy of promoting the conclusion of the same, in effect, collective agreement in different companies, albeit with different rates of success.¹⁴⁵ Similarly, in the hotel sector, first-level union federations (mainly in Heraklion) initiated negotiations with management with a view to coordinating bargaining at company level (see above section 4.2). But this was not generalised across others regions and sectors (especially in other parts of services including retail and other services), partly as a result of low union density in these segments of the service sector and partly as a result of fragmentation and limited resources on the part of trade unions.¹⁴⁶

While the increase in the use of company-level agreements was considered positive by some employers’ associations,¹⁴⁷ there were concerns in terms of the rapid increase of such agreements against a context of limited training and cognitive resources that would enable managers especially in small companies, to respond to the new landscape.¹⁴⁸ In this respect, the absence of regular information and consultation

¹⁴³ Federation of Milk, Food and Drinks Workers, interview notes.

¹⁴⁴ POEM, Heraklion Labour Centre representative, interview notes.

¹⁴⁵ Local trade union, interview notes.

¹⁴⁶ OIYE, interview notes.

¹⁴⁷ SEV, POX and ESEE, interview notes.

¹⁴⁸ SEV, interview notes.

procedures, which would have enabled the development of a culture of dialogue, especially in SMEs, limited the scope for the efficient use of the new rules to promote decentralisation via collective agreements. Further, the uncertainty over the use of company-level agreements was compounded by the use of associations of persons as the main mechanism to drive negotiations at company level. As it will be discussed in section 5, the increase in company-level bargaining (especially in 2012 but also later) was primarily driven by the use of associations of persons.¹⁴⁹

However, the representativeness of the associations of persons was called into question not only by the trade unions¹⁵⁰ but also by employers' associations.¹⁵¹ Drawing on their research, the GSEE representative suggested that around 85-90% of associations of persons were employer-led.¹⁵² In the manufacturing sector, cases of employers misreporting on the workforce numbers in order to be able to form associations of persons were reported.¹⁵³ In the hotel sector, employers in some cases concluded company-level agreements with associations of persons in the winter period, during which only office-based staff were employed: these agreements would then become applicable to all seasonal workers employed during the summer term.¹⁵⁴ Reportedly, this practice was somewhat widespread in the region of Heraklion, where the regional sectoral collective agreement was not renewed.¹⁵⁵ In an effort to evade negotiations with the first-level union federation (Heraklion Labour Centre), a number of employers set up associations of persons for the purpose of concluding such company agreements. According to the Labour Centre, associations of persons were established in six companies and a further two companies had actually concluded company agreements with associations of persons. In the first company, where a company agreement was concluded, the association of persons was established during a time when the company employed 15 employees but the average number of employees during the peak season was between 80-85 employees. In the second company, the association of persons was established at a time during which the company employed 10 employees, while the average number of employees was between 90-97 employees during the summer season. Similar trends, i.e. company-level agreements driven by associations of persons, were also reported in other touristic regions, including Kos, where almost half had concluded such agreements in 2012-2013, and Chalkidiki.

Whilst it was recognised that the 'associations of persons' mechanism was abused in some cases by employers in order to reduce wage levels, it was argued that the use of such mechanisms allowed for the continuation of collective bargaining. The ESEE representative commented:

*'In all cases, we consider that a collective agreement, even with an association of persons, is preferable than having recourse to individual negotiations, which creates a 'bad precedent' for other firms in the same sector, which sooner or later will have to implement similar wage cuts in order to remain competitive'.*¹⁵⁶

It was expected that the use of the associations of persons would be used less frequently in the future as a result of the reduction of the NMW levels.¹⁵⁷ Indeed, in the period 2013-2015, the overall number of company-level agreements reduced (but with no change in the percentage vis-à-vis other types of agreements, i.e. higher-level agreements).¹⁵⁸ The reduction in the number of company agreements was

¹⁴⁹ Attempts were made to conduct company case studies in organisations that had proceeded to agreements with associations of persons but it was not possible to acquire access due to concerns by employers and employees alike. However, evidence was collected from employers' associations and trade union federations regarding the use of such mechanisms.

¹⁵⁰ GSEE, POEE-YTE, OIYE, POEM interview notes.

¹⁵¹ GSEVEE, interview notes.

¹⁵² GSEE, interview notes.

¹⁵³ OVES, interview notes.

¹⁵⁴ POEE-YTE, interview notes.

¹⁵⁵ Heraklion Labour Centre, interview notes.

¹⁵⁶ ESEE, interview notes.

¹⁵⁷ OIYE, interview notes.

¹⁵⁸ See section 5 of the report.

linked to the direct intervention of the legislator to the *erga omnes* effect of the national general collective agreement and the simultaneous reduction of the minimum wage down to €586 (€510 for youth under 25 years old). These changes reduced the incentive for employers to proceed to the conclusion of company-level agreements, even with associations of persons (INE GSEE 2016: 130).

These trends were confirmed in some of our evidence from the company case studies. In the majority of cases where no unions were present, individual negotiations took place between management and employees in order to adjust wage levels and amend other terms and conditions of employment (e.g. all SmallMetal1Co, SmallMetal2Co, SmallMetal3Co, SmallMetal4Co, SmallFood&Drinks1Co, SmallFood&Drinks2Co, as well as ConfectionaryProduction&RetailCo, LargeRestaurants, SmallOtherServicesCo and LargeOtherServices2Co). In a number of cases where use of individual negotiations was made, this usually involved unilateral or ‘consensual’ wage reductions against increasing rates of unemployment (see section 6 for an in-depth analysis). This was especially the case in very small companies, where trade union structures have been traditionally absent and where associations cannot be formed, as the companies employed less than five employees. But evidence from the case studies suggests that even where small companies had more than five employees, they preferred using the individual negotiation route rather than the formation of associations of persons.¹⁵⁹

As such, despite some increase in the number of company-level agreements (even with associations of persons), there was no evidence to suggest that there was a generalised use of single-employer arrangements in place of previous multiple bargaining units. The absence of procedural guarantees in the legislation and the lack of provisions articulating negotiations between the sector and company levels meant that the employer responses that were most widespread involve either unilateral action (in the case of workers who were paid before on the basis of the EGSSE) or individual negotiations. The move towards individual negotiations was welcomed by some employers in the micro companies, this being attributed to the constraining effects of the pre-existing framework for sectoral bargaining.¹⁶⁰ But for some companies, it was recognised that any use of individual negotiations would lead to ‘*a state of war*’, as both employees and employers may not be able to manage well the transition.¹⁶¹

4.4. Overview of the effects of the changes on the structure, process and character of bargaining

The evidence presented above indicates that the impact of the changes in the legal framework governing collective agreements has been a crisis of collective bargaining at different levels, predominantly at sectoral level but also at the inter-sectoral (i.e. national general) and company-level. At inter-sectoral level, the change in the regulatory function of the national general collective labour agreement had an impact not only on the agreement itself but also on its interplay with lower-level agreements. By effectively negating the role of the agreement in setting down the NMW levels, the measures foreclosed any scope for possible trade-offs involving wage moderation and employment and/or competitiveness objectives that took place in other countries (for examples of these, see Glassner et al. 2011). But the measures also affected the procedural role of the inter-sectoral agreement as a means to frame the negotiations at sector and/or company levels, promoting thus a more disruptive change in the rules of the game. At sectoral and occupational level, the changes in the legal framework in conjunction with the deepening of the crisis resulted in the near collapse of collective bargaining with implications for employers’ associations themselves but also trade unions. At company level, there was evidence of ‘disorganised decentralisation’ rather than ‘organised decentralisation’ (Traxler 1995), with multi-

¹⁵⁹ SmallMetal1Co, interview notes.

¹⁶⁰ E.g. in SmallFood&Drink1Co and SmallMetal3Co, interviews’ notes.

¹⁶¹ MediumFood&Drinks manager, interview notes.

employer bargaining arrangements increasingly being replaced by single employer bargaining but primarily by individual negotiations as the dominant modes of determining wages and terms and conditions.

Going on to consider the character of collective bargaining, different trends were observed across sectors, confirming in many cases the character of bargaining in the pre-crisis period but also amplifying as well pre-existing cleavages between the parties that may not have been articulated before. In metal and food and drinks manufacturing, relationships were somewhat adversarial (especially in metal) at sectoral level in the pre-crisis period, leading to the complete breakdown of bargaining in the crisis period; at company level in the same sector, the renewal of collective agreements was in many cases an outcome of industrial action (e.g. LargeMetalCo and MediumFood&DrinkCo). Similarly, evidence of adversarialism was provided in the case of restaurants and confectionary retail at both sectoral and company levels. In contrast, the character of bargaining at sectoral level in the retail and hotel sectors remained largely cooperative (albeit the outcome of bargaining was not always in such cases the conclusion of an agreement). In retail and hotels, the character of bargaining at company level showed evidence of ebbs and flows between adversarialism and cooperation depending on the period bargaining took place as well as the pre-existing character of employment relations at company level. A further change that was observed was in respect to the direction of pressure for bargaining. While in the period between 1992-2008 the negotiations were driven by the employee side and were intended to maintain and improve the terms and conditions of employment, recent evidence suggests that the party that drives the process is the employer, showing increased willingness to denounce existing collective agreements (e.g. in the case of restaurants, production and retailing of confectionary products) (Ioannou and Papadimitriou 2013).¹⁶²

At broad level, the absence of extension of higher-level agreements in conjunction with the other developments, i.e. defection of employers from employers' associations, absence of a clear framework guiding company-level derogations and low trade union density at company level, have meant that the collective bargaining system that is emerging, characterised by the reduced regulatory function of the national general collective agreement, the near collapse of sectoral and occupational bargaining, the limited take-up rate of company bargaining and the increase instead of individual negotiations, could be deemed to be a 'poorly governed' multi-level system. In terms of vertical coordination, the main characteristic of the current bargaining system is the radical interruption of the pre-crisis existing 'hierarchical' relationship between the different bargaining levels. This interruption has come about as a result of a set of inter-locking developments: these include the scope for company agreements to prevail against all the others, even if they are less favourable for the workers, and the suspension of extension mechanisms meaning that inter-sectoral and sectoral/occupational agreements are now only binding for the members of the signatory parties. In terms of horizontal coordination, the limited role of peak-level coordination operated in conjunction with the developments at lower bargaining levels to limit considerably the extent to which bargaining units at the same level could act as reference points for one another.

Aside from the issues of vertical and horizontal coordination, the issue of bargaining coverage is crucial when considering the objectives of inclusive and sustainable growth. A recent OECD report (2014) argued that *'reducing the legal extension of collective wage agreements might lower labour costs and promote employment, especially for the low-skilled, which is good for growth but it might also contribute to widening wage distribution'* (OECD 2014: 115). In a similar vein, a recent IMF paper suggested that *'more lax hiring and firing regulations, lower minimum wages relative to the median wage, and less prevalent collective bargaining and trade unions are associated with higher market inequality'* (IMF

¹⁶² See section 5 on the extent of termination of sectoral and occupational agreements by employers.

2015a: 25); increasing the income share of the poor and middle class actually increases growth.¹⁶³ And it is multi-employer bargaining structures that are the most inclusive in terms of the level of coverage (Visser et al 2015; see also section 3).¹⁶⁴ Hence, it is essential to consider the effect of the legal changes in Greece in terms of bargaining coverage. In this respect, Traxler (1998) suggested that there are two sets of conditions that lead to high bargaining coverage. The first, which is found only in northern Europe, relies on sectoral or national bargaining and a high level of unionisation. The second, which is also the most relevant for the Greek system of industrial relations, is based on a combination of three institutional variables, including sectoral or national bargaining, a high level of employer organisation and frequent use of administrative extension of agreements.

With regard to the first variable – sectoral or national bargaining – the empirical evidence points to a significant contraction of bargaining across most sectors (with some exceptions, e.g. hotels and other metal manufacturing). There was evidence to suggest that the contraction of sectoral bargaining was in some cases problematic for both employers and employees: for SMEs, this was because they used to rely on sectoral agreements in the pre-crisis period to regulate key issues in employment; for medium and large companies, this was because the contraction of higher-level bargaining resulted in the re-introduction of wage costs as a basis for competition. Further, while some companies operating in the domestic market and employing low-skilled employees (e.g. in retail and services) still preferred sector and national bargaining, there was no clear indication that firms in export sectors employing high-skilled employees (e.g. hotels, manufacturing and segments of the service sector) were more favourable to the operation of company bargaining in the absence of higher-level agreements. To the contrary, there was evidence of employer demand for the preservation of sectoral bargaining, partly to avoid the burden on smaller firms that lack the resources to manage labour relations but also partly to limit the risk of growing politicization, especially the undermining of unions with a proclivity towards social dialogue and ‘realistic’ bargaining (see also Koukiadaki et al 2016a and 2016b), and to reduce the scope for unfair competition between employers on the basis of labour costs.

In terms of the second variable – a high level of employer organisation – the legal changes in the extension mechanisms in conjunction with the scope for derogations through company-level agreements and the legislative decrease of the national minimum wage reduced the incentives for employers to continue being members of their respective associations. There is a risk that the defection trend will be more pronounced following the re-introduction of the unilateral right to arbitration, as companies may not be willing to be bound by arbitration decisions. The risk (materialised in some cases) of defection affected not only the propensity of the parties to conclude higher-level agreements but also the effectiveness of the implementation of the agreements, once these were concluded. Ultimately, these developments in the associational capacity of employers’ organisations have the potential to limit excessively the scope for bargaining coordination, a pre-requisite for well-governed bargaining systems. As discussed later in section 6, there is indeed evidence to suggest that there has been a significant increase in the uneven application of agreements within the same sector.

Finally, in relation to the use of administrative extension of agreements, extension mechanisms have traditionally been seen as a means of supporting the collective bargaining system without interfering in the autonomous decision-making of the contracting parties (Schulten et al 2015). In this way, the state can increase its own powers of guidance without – as in the case of statutory minimum wages (Schulten et al 2015) – having to take responsibility for the substantive content of the settlements. In the majority of European countries, the most important variable explaining the high coverage of collective agreements

¹⁶³ See also the recent article by IMF researchers stating that ‘Austerity policies not only generate substantial welfare costs due to supply-side channels, they also hurt demand—and thus worsen employment and unemployment’ (Ostry et al. 2016: 40).

¹⁶⁴ Bargaining coverage seldom exceeds 25 per cent of workers in countries characterized by company-level bargaining (Visser et al. 2015).

before the crisis was the existence of state provisions supporting the collective bargaining system (Traxler et al. 2001: 194). However, as analysed in section 2, the extension mechanisms were suspended, affecting the extent of coordination between firms and across sectors. As a result, many smaller employers, not organised by unions, fell out of collective bargaining coverage altogether. At the same time, the suspension of the extension mechanism (acting in conjunction with the other changes promoting company-level decentralisation) challenged the associational capacity of the employers.

Rather than interpreting these developments as reinforcing the need to maintain the current *status quo* (in terms of the suspension of the extension mechanisms), our findings indicate that state support for the extension of collective agreements were seen by employers' associations, individual employers and unions alike not only as a means to maintain associational capacity but also as means to achieve both effective labour protection and fair competition between employers. As such, the restoration of state support would be consistent with the objective of securing high bargaining coverage as a means to promote sustainable and inclusive growth. But it would also be consistent with the particular structure of the Greek economy, specifically the predominance of a large number of SMEs, and the public interest considerations therein, these being the need to limit the risk of growing politicisation of employment relations at the workplace level, protecting working conditions across companies within the sector and minimising the scope for externalities, including wage dumping.

5. What effects on the role of collective bargaining in wage determination?

In December 2010, during the first stages of the economic crisis in Greece, total employment amounted to 4.3 million, of which only around 2.7 million were in salaried and wage employment. Approximately one fifth (20.3%) of total employment, and a higher share –close to one third (31.6%) of total salaried and wage earners -, were employed in the public sector (Ioannou, 2016: 34). For this segment of the workforce, all collective agreements were initially frozen in March 2010 and then annulled. Then, from 2012, wage-setting for any category of public sector employees was removed from the jurisdiction of collective bargaining (Ioannou, 2013:299). Therefore, since March 2010, the right to collective bargaining and the link between collective bargaining and wage determination has only encompassed employees in the private sector; in December 2010, this amounted to 1.7 million. After six years the relationship between collective bargaining and wage determination for this segment of 1.7 million employees remains an open question. The first core aim of this chapter is to interrogate this relationship and analyse how it has been affected by, and evolved under, the new regulatory framework, building on the preceding analysis in sections 2 and 4.

The role of labor law, and associated reforms, in the formation of country structures of collective bargaining is commonly accepted in the literature (e.g. Sciarra, 2006). However it has been also recognized (Guigni, 1967, Clegg, 1976, Cordoba, 1987, Windmuller, 1987) that the bargaining behaviour of trade unions and employers' associations shapes the character of collective bargaining structures and the nature of their embeddedness in the economy, as well as forging links between the existing legislation and the wage determination procedures. The second aim of this chapter is therefore to highlight how the changing bargaining behaviour of employers, their associations, of workers and their trade unions have reshaped this relationship between collective bargaining and wage determination in Greece in recent years.

5.1. Characterising the radical transition in the structure of collective bargaining

The collective bargaining structure in Greece prior to the crisis, in the period of implementation of Law 1876/90 (i.e. the period 1990-2008) and in the first stages of the crisis (2009-2010) consisted of, on average, 100 sectoral (branch) collective agreements, 90 occupation collective agreements, and more or less 150 company collective agreements (Ioannou et al, 2011), operating under the umbrella of the EGSSE. In fact there are only few (less than 10) encompassing sectoral collective agreements, i.e. covering all or most of the employees, jobs, specialties in a certain sector. The great majority of the sectoral collective agreements cover the main specialty, job or occupation in a certain sector (Ioannou, 2011:774-775). This set of sectoral and occupational collective agreements constituted the core of the collective bargaining structure for wage determination in Greece. The numbers and the jurisdictions of that structure of sectoral and occupational collective agreements have been rather stable despite some changes during the 1990s and 2000s up to 2008. These changes indicate a slow upward trend in the number of sectoral agreements, a gradual decline of the number of occupational agreements and an upward trend in the number of rather unstable, company collective agreements (Ioannou, 2011:767,782-785). Beyond the “core” of some 150 company collective agreements that survive during most of the period 1990-2008, under the operation of Law 1876/90 that made legal collective bargaining and collective agreements at the company level, a greater number of company collective agreements were registered with the Ministry of Labour, but have been short lived for many reasons, such as a) because of the lack of bargaining power, b) company unions relied on the sectoral collective agreements, c) the

life of company unions themselves was discontinued, d) the company-plant was merged or went out of the market.

Although the year 2010 marked the eruption of the fiscal crisis in Greece, leading to its entry into the joint EU-ECB-IMF adjustment program, the collective bargaining structure initially survived during 2010 and 2011 (Ioannou & Papadimitriou, 2013). Significant changes began to occur in 2012 with exponential effects thereafter, as a result of both the worsening economic climate and successive legislative interventions in the collective bargaining system, culminating in February 2012 with Law 4046/2012 (art. 1 para. 6) and Ministerial Council Act 6/28-2-2012.

These changes are *prima facie* reflected in the reduced number of sectoral and occupational collective agreements. However, we need to account for other reasons that may explain the falling number. In particular, the reduced number in 2011, compared to 2010 and 2009, is partly related to the fact that most agreements signed in 2010 were two-year and sometimes three-year agreements, in line with a trend observed since 2002 and true also of the EGSSE for 2010-2012.

Table 5.1 provides an overview of the changing bargaining structure in Greece. It includes the number of collective agreements by type (sectoral, occupational, company) and by source (collective agreements or arbitration awards) for the period 1992-2015. It reflects the collective agreements and the arbitration awards as registered with the Ministry of Labour, based only on the date of their registration, not on the date they are signed or the period they cover. The table also distinguishes sub-periods defined by reforms to the collective bargaining legislation.

Table 5.1 The collective bargaining structure under Law 1876/1990 (1992-2015) and its reforms

Year	ΕΓΣΣΕ		Occupational				Sectoral		Company		Total			%	
			National		Regional – Local										
	CA	A A	CA	AA	CA	AA	CA	A A	CA	AA	CA	AA	CA + AA	CA	AA
Law 1876/1990															
1992			28	12	14	5	66	8	63	7	171	32	203	84,2	15,8
1993	1		50	11	26	2	98	15	105	2	280	30	310	90,3	9,7
1994	1		44	14	26	2	99	17	117	4	287	37	324	88,6	11,4
1995	1		41	14	25	4	64	13	108	2	239	33	272	87,9	12,1
1996	1		46	16	20	6	76	18	242	3	385	43	428	90	10,1
1997			44	14	25	8	69	96	143	4	281	52	333	84,4	15,6
1998	1		51	13	16	10	87	28	137	7	292	58	350	83,4	16,6
1999			23	20	18	9	70	19	115	3	228	51	279	81,7	18,3
2000	1		54	15	22	4	98	17	122	6	297	42	339	87,6	12,4
2001			34	12	24	1	60	22	146	5	263	40	303	86,8	13,2
2002	2		43	19	32	6	96	20	175	11	348	56	404	86,1	13,8
2003			28	25	26	8	52	26	168	5	274	64	338	81,1	18,9
2004	1		37	16	43	4	101	22	216	10	398	52	450	88,4	11,6

2005			37	18	24	8	84	15	234	20	379	61	440	86,2	13,8
2006	1		42	17	34	6	100	24	224	7	401	54	455	88,1	11,9
2007			23	14	20	3	73	19	202	7	318	43	361	88,1	11,9
2008	1		43	17	27	2	117	25	215	15	403	59	462	87,2	12,8
2009			15	11	12	5	47	30	215	12	289	58	347	83,3	16,7
2010	1		33	8	14	6	31	21	227	11	306	46	352	86,9	13,1
Law 3899/17-12-2010 art. 14 and Law 4024/27-10-2011 art.37 para.3															
2011			15	5	7	1	23	12	170	9	215	27	242	88,9	11,1
Law 4046/14-2-2012 art. 1 para. 6 and Ministerial Council Act 6/28-2-2012															
2012			4	1	6		19	7	976		1005	8	1013	99,2	0,8
2013	1		4	-	10		8		410		433		433	100	0,0
Law 4303/17-10-2014 art. 4 para 1															
2014	1		3		5		10	2	286		305	2	307	99,3	0,7
2015	1		5		7		6	4	263	1	282	5	287	98,3	1,7

Sources: Ministry of Labour, OMED, Ioannou et al 2011, Ioannou & Papadimitriou 2013.¹⁶⁵

During the crisis years, we identify three subperiods of changes in the bargaining structure, in line with reforms to the regulatory framework: a) Law 3899/17-12-2010 and Law 4024/27-10-2011 art.37 para.3; b) Law 4046/14-2-2012 art. 1, para. 6 and Ministerial Council Act 6/28-2-2012; and c) Law 4303/17-10-2014 art. 4, para 1. Data for the number of collective agreements by type and level in 2012 mark a critical turning point in the subsequent radical change in the structure of collective bargaining in Greece. It is very clear that during the period 2012-2015 the longstanding institutional system of collective bargaining, including its core of 100 or so sectoral agreements and 90 occupational agreements, suffered a landslide and collapsed.

Developments in the bargaining structure that were initiated in the period 2011-2012 indicated a transition to both a different structure and alternative function of collective bargaining in Greece. In the years 2011-2012, it is important to note that most of the 200 sectoral and occupational collective agreements remained in force since they had been concluded during 2009 and particularly 2010 in the form of two- and three-year duration agreements. As argued above, therefore, the numbers reported in table 5.1. are an indication of the number of collective agreements concluded each year and are not equivalent to the number of collective agreements in force. Nevertheless, the discontinuity in the regular renewal of collective agreements since 2012 is a significant indication of subsequent radical changes in the bargaining structure, due to the low flow of renewed sectoral and occupational collective agreements and the rapidly falling stock of collective agreements in force.

During 2012, following the adoption of Law 4046/14-2-2012 (art. 1, para. 6) and the Ministerial Council Act 6/28-2-2012, only 28 sectoral and occupational collective agreements (at national and regional/local

¹⁶⁵ Note: CA Collective Agreement - AA Arbitration Award. The numbers of CAs and AAs and the dates are based on the date of their registration and not on the date they are signed or even the period they cover. Therefore a CA signed in 2010 but registered in 2011 is counted in 2011. Similarly an AA issued in 2012 but referring to a collective bargaining procedure and a period of coverage for 2010 or 2011 is counted as part of the bargaining structure in 2012. In Ioannou et al (2011), Ioannou and Papadimitriou (2013) there are analytical proposals for improving the monitoring of developments in the bargaining structure.

levels) were renewed.¹⁶⁶ At the same time, we observe a proliferation in the number of company collective agreements, which soared to 976. These changes in the structure of collective bargaining, beginning in 2011-2012, subsequently became more radical and rapid.

The "normal flow" and "normal reproduction" of all types of collective agreements described in table 5.1 for the period 1992-2010 was based on the sequence of procedures provided by Law 1876/1990, which was in force until 2010. The set of procedures involved the following:

- a) the possibility to initiate collective bargaining in order to renew an existing collective agreement after or near its expiry date, or to initiate collective bargaining so as to conclude a new agreement in a specific new jurisdiction;
- b) the possibility to have recourse to mediation in response to the initiative of one side (the pattern being from the trade union side) in case of failure of collective negotiations; and
- c) the possibility to have recourse unilaterally to arbitration with the precondition that the other side either "denied the mediation procedure" or decided the "acceptance of the mediator proposal" by initiating the recourse to arbitration side.

The bargaining structure that prevailed until 2010-2011 was reproduced through this sequence of procedures. However, it is notable that although the share of arbitration awards in the total number of collective agreements registered per year ranged between 10 and 19% in 1992-2010 and was in the lower band of 12-15% (see table 5.1) in the recent years prior to the crisis, arbitration was rather critical for the reproduction and the survival of sectoral and occupational collective agreements. At a disaggregated level, in fact, on average, more than half necessitated recourse to mediation, where part of them were led successfully by the parties and the mediation to a voluntary collective agreement. However, the unsuccessful, even under mediation, and pending bargaining procedures have been a third of the occupational collective agreements and ¼ of the sectoral collective agreements that necessitated the recourse to the arbitration procedures in order to be concluded. Only a very small and exceptional share of the arbitration cases was successfully led to a voluntary collective agreement (Ioannou, 2012). Indeed, as indicated in Table 5.2, in the early years of the crisis, in 2009-2010, the need for recourse to mediation and further to arbitration became necessary in a higher percentage of cases for both types of occupational and sectoral collective agreements. In 2010 the 81.4% of sectoral and occupational collective agreements necessitated the recourse to OMED services (table 5.2).

Table 5.2. The share of the Sectoral and Occupational Collective Agreements and Arbitration Awards concluded under the OMED (Mediation and Arbitration) services

Table 5.2			
The share of the Sectoral and Occupational Collective Agreements and Arbitration Awards concluded under the OMED (Mediation and Arbitration) services			
Year	under OMED	National total	OMED share %
Law 1876/1990			
1992	54	133	40,6

¹⁶⁶ From the 29 collective agreements registered in 2012 with the Ministry of Labour (see table 5.1) one referred to the amendment – correction of a collective agreement already signed and registered in 2012, the local collective agreements for hotel employees at the island of Rodos that was signed the 29.6.2012 and it was corrected the 31.7.2012. Arbitration awards registered during 2012 are excluded as they concerned cases of CBAs pending since 2011 and were issued just before the end of the existing arbitration procedure by law 4046 and the Ministerial Council Act in February 2012. See also note in Table 5.1.

1993	79	202	39,1
1994	86	202	42,6
1995	82	161	50,9
1996	91	182	50,0
1997	105	256	41,0
1998	113	205	55,1
1999	92	159	57,9
2000	123	210	58,6
2001	78	153	51,0
2002	93	216	43,1
2003	89	165	53,9
2004	96	223	43,0
2005	84	186	45,2
2006	98	223	43,9
2007	71	152	46,7
2008	99	231	42,9
2009	73	120	60,8
2010	92	113	81,4
Law 3899/17-12-2010 art. 14 and Law 4024/27-10-2011 art.37 para.3			
2011	23	63	36,5
Law 4046/14-2-2012 art. 1 para. 6 and Ministerial Council Act 6/28-2-2012			
2012	9	37	24,3
2013	2	23	8,7
Law 4303/17-10-2014 art. 4 para 1			
2014	6	20	30,0
2015	11	22	50,0
Total	1.749	3.657	47,8

Sources: Ioannou et al 2011, OMED Annual reports 2009-2015, Ministry of Labour.

Therefore the continuous reproduction of the bargaining structure comprising of 100 sectoral and 90 occupational collective agreements that shaped wage determination in the Greek private sector over two decades (1991-2010) relied heavily on the regulatory framework that established two fundamental rights – first, the right to unilateral recourse to arbitration procedures and second, as described in section 2, the right to extension of the collective agreement (or arbitration award) to non-signatory parties.

This "normality" has been challenged by reforms to both sets of rights. First, arbitration rights were initially curtailed in 2011 (see art. 14 Law 3899/2010) by changing the role of arbitration and restricting

it to only settling basic wages and salaries.¹⁶⁷ Then, in 2012, the procedures for arbitration were further disrupted (see art. 1 para. 6 Law 4046/2012 and Ministerial Council Act 6 / 28.2.2012) by requiring mutual agreement of both parties as a precondition to exert the right to access arbitration procedures. Second, the right to extension has been put on hold until the (moving) end of the adjustment programme(s). The last time Ministerial decisions were issued to extend the coverage of collective agreements or arbitration awards beyond the members of the signatory parties was in 2011.

To understand the radical and rapid changes in the structure of collective bargaining in Greece it is important to distinguish between stocks and flows. The transition started in 2012 with the increasing failure of parties to renew sectoral and occupational collective agreements and culminated over two years in a relatively low stock of sectoral and occupational collective agreements in force in the Greek labour market.

As discussed above, in 2012, following the radical change in the collective bargaining legislation, very few (28) sectoral and occupational agreements, national and regional/ local, were signed and/or renewed. Among the major national sectoral agreements only those for the hotel sector (one agreement) and the retail sales sector (two agreements) were renewed (see section 4 above). It is noteworthy that most sectoral and occupational collective agreements signed and/or renewed in 2012 (16 out of 28) concerned subsectors of the tourism industry, as follows:

- hotels (1 national agreement, 4 regional-local agreements);
- tourist bus drivers (2 regional agreements);
- tourist guides (2 local agreements);
- restaurants and cafes (3 national agreements);
- foreign airlines personnel (1 national agreement);
- taxi call-centre employees (1 regional agreement – for the Athens area) and
- travel and shipping agents (2 national agreements);

The other 12 agreements covered segments of manufacturing (2 agreements), health services (1), construction (1), private education (2) and other services (2). In almost all these agreements, coverage was reduced as some of the parties from the employers' side, which in previous years had participated in these collective agreements, in 2012 abstained from bargaining and contracting (Ioannou & Papadimitriou, 2013:21).

5.2. Recent years: consolidating the marginalization of collective bargaining

The radical transition in the structure of collective bargaining during 2011-12 has been further consolidated since then by a raft of inter-related factors. These include in particular the changing bargaining behaviour of employers' associations, legal reforms concerning the termination of collective agreements and the viability of their "after-effect" period, and the shift away from collectively agreed terms and conditions to individualised employment contracts.

The date of 14th February 2013 (that is, one year after the adoption of art. 1 para. 6 in Law 4046/2012) was set as the milestone for the termination of all pre-existing sectoral and occupational collective agreements that were renewed in 2010-2011. The bargaining structure in 2009-2010 consisted of 190 sectoral and occupational agreements but out of that total not all of them were renewed in 2010-2011.

¹⁶⁷ The relevant statement in the law is as follows: "The arbitration is limited to determining the basic wage and / or basic salary. For other issues may at any time resume collective bargaining to conclude a collective agreement" (art. 14, Law 3899/2010).

But from the 134 renewed ones a total of 103 collective agreements expired (Ioannou & Papadimitriou 2013:49-50) by that date. The termination of collective agreements occurred either with the initiative of the employers' associations – and that was a new element in the bargaining behaviour of the employers side; 40 out of the 103 sectoral and occupational collective agreements that expired before February 2013 were terminated with the employers' associations initiative (Ioannou & Papadimitriou 2013:60). The rest expired automatically in accordance with the law.

So as of February 2013, only 26 sectoral and occupational collective agreements were still alive (Ioannou & Papadimitriou 2013: 48)¹⁶⁸ and even among these all but two were to expire by the end of the year 2013. The result was a very low stock of collective agreements in force in the Greek labour market at the end of 2013. In other words, the role of collective bargaining at the sectoral and occupational level was thoroughly marginalized.

This marginalization of collective bargaining at the sectoral and occupational level was consolidated during 2013-2015. In each of these three years the number of sectoral and occupational collective agreements that were signed, awarded or renewed per year was lower than in 2012 -22 in 2013, 20 in 2014 and 22 in 2015. As table 5.1 indicates, a diminishing number (2013:22, 2014:18, 2015:18) were signed voluntarily, and the total was influenced by the return of the right to recourse and obtain arbitration awards in 2014 (2014:2, 2015:4).

We can also observe a reduction in the number of sectoral and occupational collective agreements in force in the Greek labour market. In 2014-2015, less than 20 sectoral and occupational collective agreements, at national or regional/local levels, 'survive'. This comprises of fewer than 10 national sectoral collective agreements, found in the hotel sector (coupled with 4 regional/local ones), banking sector, cement industry, tobacco industry, foreign airlines and private health sector clinics. This core set of national agreements is supplemented by three in minor segments of manufacturing plus a set of occupational/regional/ local collective agreements such as the two local collective agreements for tourist guides, two for employees in travel and shipping agents, and another three in various services (theater actors and technicians, foreign language teachers, TV and radio stations technicians).

Another new element in the bargaining behaviour of both employers and employees was the proliferation of company level collective agreements in 2011-2012 (see table 5.3). This followed the provision of Law 4024/27-10-2011 (art.37 para.3), which encouraged company-level agreements to be concluded by 'Associations of Persons' (see section 2) and for bargaining parties to opt out from existing sectoral and occupational agreements.

The number of annually concluded company collective agreements increased fivefold in 2012 compared to the average of previous years, with 976 company collective agreements. This figure is largely explained by the conclusion of 705 new agreements by Associations of Persons. Overall, these 976 collective agreements were dispersed across industries: 34% were in manufacturing, 22% in retail, 20% in hotels and restaurants and the reminder in other sectors (Ioannou & Papadimitriou, 2013:52). These new agreements emerged both in sectors where there was a tradition of company level bargaining -such as in manufacturing where numbers of company agreements soared from 79 in 2009 and 145 in 2010 to 336 - and in sectors where company level bargaining was rather marginal with the numbers of agreements counted on the fingers of two hands, such as in retail which recorded just 6 company agreements in 2009

¹⁶⁸ Analytical listings of the collective agreements that were terminated and of those still alive are provided in Tables 2 and 3 in Ioannou & Papadimitriou 2013.

and 3 in 2010, but then 214 in 2012, as well as in the HORECA sector where 2012 saw 193 new company agreements, up from just 13 in 2009 and 10 in 2010 (ibid:52-53).

This wave of company agreements occurred well before the termination and expiry dates of sectoral and occupational collective agreements, most of which expired during 2013. Especially for the period 2011-2012 the evidence suggests that the main function of the majority of these new collective agreements that were signed by newly founded Associations of Persons was to facilitate the opting out of companies from sectoral and occupational collective agreements. While in manufacturing there was a tradition of company level bargaining in addition to the sectoral and occupational level bargaining, it was a new phenomenon for most other sectors such as the retail and HORECA sector.

A large share (around one in five) of the company-level agreements in these two sectors, are cases where individual employers and Associations of Persons at the company level opted out during 2012 from existing sectoral and occupational collective agreements (Ioannou & Papadimitriou, 2013). In the retail and the HORECA sector in the 2011-2012 the pay and working conditions were regulated by sectoral collective agreements that had not expired during 2012. Individual employers at the company level, instead of waiting for the expiry of the relevant sectoral and occupational collective agreements in 2013, they initiated the conclusion of company agreements with Associations of Persons in order to opt out from collective agreements' terms and conditions. That was indeed the main function of the many new company level collective agreements that were signed during 2012; 73% of them provided for pay cuts and pay adjustments opting out from preexisting collective agreements. The new and mainly the opt out company agreements largely follow the pattern of sectors where in 2011-2012 sectoral and occupational collective agreements were in force (Ioannou & Papadimitriou, 2013:52-53).

However, the reduced number of company collective agreements signed thereafter in 2013-2015 suggests that there was no massive movement towards decentralisation of collective bargaining. Compared to the pre-2010 period, the numbers of company collective agreements signed each year by unions (table 5.3) oscillate at lower numbers. Moreover, while Associations of Persons are still present during 2013-2015 their role is not comparable to the wave of company collective agreements signed during 2012.

Table 5.3. The expansion of company level collective agreements in 2011-2015 by type of the contracting party

Year	Company Unions	Associations of Persons	Primary level Unions	Federations	Total
2011	97	30	0	13	140
%	69,3	21,4	0,0	9,3	100,0
2012	173	705	97	1	976
%	17,7	72,2	9,9	0,1	100,0
2013	171	216	13	10	410
%	41,7	52,7	3,2	2,4	100,0
2014	136	135	13	2	286
%	47,6	47,2	4,5	0,7	100,0
2015	135	117	5	6	263
%	51,3	44,5	1,9	2,3	100,0

Sources: Ministry of Labour & OMED.¹⁶⁹

The collapse in collective bargaining coverage

One of the major impacts on the role of collective bargaining in wage determination caused by the collapse in 2013-2015 of most sectoral and occupational collective agreements has been the collapse in bargaining coverage. The increased numbers of company collective agreements signed before and after the 2011-2012 reforms were not able to make up for the losses in bargaining coverage caused by the shrinkage of sectoral and occupational collective agreements. Indeed the numbers of company collective agreements operating in Greece before and after the crisis, compared to the number of companies where company collective agreements could have been signed, indicate a marginal role of company collective bargaining in the collective bargaining structure in Greece, with the exception of 100-150 private sector companies and the full set of the public sector utilities. Before the 2011 reform, it was legally possible for company collective agreements to be signed in companies employing more than 50 employees. In 2002 there were 2,857 such companies but collectively bargained wages were only present in less than 10% of them. Despite the slight increase in company level collective agreements in the late 2000s (see table 5.1) this proportion was not altered.

In this way, despite the increase of company collective agreements in absolute numbers, the role of company level bargaining became more marginal after the 2011-2012 reforms when company agreements were allowed to be signed by Associations of Persons even in companies employing less than 50 employees. On the one hand, the total numbers of companies employing more than 50 employees in 2013 (2,919) and in 2014 (3,381) were respectively comparable to those existing in 2002 (2,857) and in 2007

¹⁶⁹ Please note that the numbers of company collective agreements refer to the dates they were signed and registered. The total of 140 company collective agreements in this table differs from the total of 170 company collective agreements registered with the Ministry of Labour in 2011 and reported in Table 5.1. This difference is due to 30 company collective agreements that were signed during 2010 but were registered with the Ministry of Labour in 2011. This in turn is due to the change of legislation and the procedure of registration and publication of collective agreements. This changed in May 2010 with Law 3846/2010 art. 12 (11 May 2010) that scrapped the anachronistic provision that the registered collective agreements are published in print by the Ministry of labour in a special bulletin that has ceased to be published for years. The need for publication was informally met by OMED in its website. From then on it was allowed to publish the registered collective agreements electronically in the Ministry of labour web site. It took some months for this system to become operational and during 2010 many collective agreements remained unregistered and were registered and published only in 2011. In them are the 30 company collective agreements that appear registered in 2011 in table 5.1 but are not included in the analysis of table 5.3.

(3,375). On the other hand, the addition of some 150-200 company collective agreements covered only a very small share of the total volume of 194,201 (2013) or 211,588 (2014) private sector companies employing waged labour (ERGANI, 2013, 2014).

The low stock of sectoral and occupational collective agreements that remain in force in 2013-2014 in the Greek labour market, and the role of company agreements mainly as an opt out tool, help explain the radical fall in collective bargaining coverage. In the past there have been few estimates of collective bargaining coverage in Greece, ranging between 65% and 100%. For example, EIRO (2007) estimated the collective bargaining coverage at 100%, Ioannou (2004) estimated the coverage for 1996 at 65%. The collective bargaining coverage for Greece at the range of 65% was closer to reality for the period before the crisis, as the 100% was based on the assumption that the minimum wage that until 2012 was set by the national general collective agreement (EGSSE) was applicable to all workers in the Greek labour market. Drawing on the HIVA database that estimate was adopted in ICTWSS (2007-2011), but in its later versions has been revised upwards (Visser, 2015). Nevertheless, the change since then is dramatic. ICTWSS reported for 2011 a drop to 60% from 83% in 2009, and a further drop to 42% in 2013. Our estimate for 2014 is that bargaining coverage was in the range of 10% (ILO, 2014:16, 162, Cutcher-Gershenfeld et al, 2015:39).

The fall in collective bargaining coverage caused by the collapse of the many sectoral and occupational agreements in 2012-2013 was thus not at all compensated for by the higher number of company level collective agreements signed in the same period. Moreover, it is also questionable whether those opting-out company agreements, which were signed to bring a company's wages down to the minimum legislated wages, ought to be counted within the standard measure of collective bargaining coverage. Such agreements account for a large, though decreasing, share of the new collective agreements signed at the company level -48% in 2012, 32% in 2013, 17% in 2014 and 15% in 2015). In any case, the existing ERGANI (2013) statistical evidence suggests that the 105 company collective agreements that were signed in the second semester of 2013 covered 35,842 employees (out of a total of 1,371,450 employees in private law contracts). A similar picture emerges from the evidence about 245 company collective agreements signed during 2014 that covered 77,813 employees (out of a total of 1,531,179 employees) (ERGANI, 2014).

For the latest year of available data, 2015, which is the fourth year after the 2011-2012 reforms, the structure of collective bargaining and its coverage seem to have settled, with coverage around 10%. Coverage by the remaining sectoral and occupational collective agreements still in force (for banking, hotels, cement industry and foreign airlines, among others) make up the core of bargaining coverage in Greece in 2015. This is supplemented by some 1,200 company collective agreements, which may imply an impact for collective bargaining coverage, as we have to exclude the one-off, opting-out company agreements which reduced wages to the level of the statutory minimum wage. For instance, according to ERGANI (2015) data, out of an average of 1,619,845 employees under private law contracts in 2015, 122,344 are covered by company collective agreements, but one fifth of this group are subject to a collective agreement that has reduced their pay rate to the level of the statutory minimum wage. Comparable data for 2012 reveals a share of one half of company collective agreements, the year when most one-off opt out company collective agreements were signed.

Overall, the implication of these changes in the bargaining structure and in the level of collective bargaining coverage in Greece is *the rapid and extensive disconnection* of wage determination from collective bargaining. That was the procedure through which the macroeconomic objective of internal devaluation has been achieved since 2010. Internal devaluation through labor and product markets reforms was a key objective of Euro Area adjustment programs and Greece's program (already implicitly

since 2010 and mainly and explicitly since 2012) aimed to do so through a series of labor market measures, such as cutting nominal general government wages and benefits, reducing the minimum wage, and reforming collective bargaining (Ioannou, 2012, 2013, Theodoropoulou, 2016, IMF 2012:13,19, 2015:30). IMF referred to “a stronger upfront internal devaluation through a package of labor market measures that would allow wages to adjust” (2012:32). We turn to these issues in the next section.

5.3. Internal devaluation via wage adjustment

The wage adjustment process began in 2010 and has intensified since 2012. This is indicated by the set of indicators of wage developments in Greece since 2008 presented in table 5.4. Wage determination is still in the era of an internal devaluation process although there are many elements of wage moderation. While collective bargaining has shrunk in scale and scope it nevertheless contributed to the internal devaluation process primarily through the decentralization of the bargaining structure. However, this is not the only contributing factor, nor indeed the main one.

Table 5.4 Wage Developments, Internal Devaluation and Wage Moderation in Greece 2008-2016 - Various indicators

Year	1991-2000	2001-2010	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Nominal Compensation per Employee (total economy –annual % change)	10.1	4.9	3.7	3.1	-2.0	-3.8	-3.0	-7.0	-2.1	-1.7	-0.8
Real Compensation per Employee (deflator GDP; total economy – annual % change)	0.7	1.8	-0.7	0.5	-2.6	-4.5	-2.7	-4.6	0.1	-1.0	-0.6
Real Compensation per Employee (deflator private consumption; total economy –annual % change)	0.9	1.9	-0.7	2.1	-5.4	-5.9	-3.5	-5.1	0.6	-0.4	-0.5
Adjusted wage share; total economy; as % of GDP at current factor cost	54.6	58.2	58.3	60.2	61.1	60.0	58.9	56.1	56.9	57.4	58.4
Nominal unit labour costs; total economy (2010=100)	-	-	92.4	99.0	100.0	98.6	96.7	89.5	87.2	87.6	87.6
Real unit labour costs; total economy (2010=100)	-	-	95.4	99.6	100.0	97.8	96.2	91.4	91.1	92.1	92.3
Nominal unit labour costs; total economy, relative performance to	-	-	97.4	101.6	100.0	99.2	93.0	87.2	85.0	82.0	80.9

* EU/EC forecast.

other 37 countries (2010=100)											
Annual Real Effective Exchange Rates vs broad group (42) of countries (2005=100)	-	-	102,3	104,8	103,6	104,2	99,6	99,0	98,3	94,1	

Sources: For the Annual Real Effective Exchange Rates vs broad group (42) (2005=100) see ec.europa.eu/economy_finance/db_indicators/competitiveness/.../aregr42.xls. For the rest see Commission database AMECO

The main mechanism has been that provided by the 2012 legal reform (Law 4046/14-2-2012 art. 1 para. 6) and the Ministerial Council Act (6/28-2-2012). Combined, these gave the initiative to the managerial prerogative to unilaterally adjust individual wages that had previously been determined by the many sectoral and occupational collective agreements. In parallel, the skyrocketing unemployment rate that quadrupled from 7.3% in May 2008 to a peak of 27.9% in July 2013, alongside the loss of more than 1 million jobs as employment collapsed from 4.6 million in May 2008 to 3.5 million in July 2013, radically changed the labour market conditions and placed any procedure for wage determination in the private sector under unprecedented pressure for adjustment.

These developments are highlighted also by another source of data that refer mainly to private sector employees, and overall to employees under private law contracts, namely, the register of IKA (Social Security Fund). In 2009 there were 2.50 million insured employees and this number fell to 2.01 million in 2012, and then recovered partially to 2.21 million by 2014. It is noteworthy that according to the same data set of IKA from the 2.50 million insured employees in 2009 only around half a million (just 19%) have been continuously employed with the same employer, without any unemployment spell during the 2009-2014 period. The remaining 2 million employees either had unemployment spells or changed employer, or both, and these conditions facilitated the reconfiguration of their pay as their labour contracts were freed from the provisions of the pre-existing sectoral and occupational collective agreements. The same data suggest that even the smaller group of employees in stable employment also experienced a cut in average earnings cut by 6% (IKA, 2015:14). Unpublished data of the ERGANI system confirm this general pattern: in 2015 only around 30% of individual labour contracts registered in the system were contracts that existed before 2013.

To outline further the process of internal devaluation in wage determination, table 5.5 presents data on changes in pay provisions in company collective agreements by type of labour organization during the period 2012-2015. The evidence indicates the scale of internal devaluation of wages that has been implemented by means of company collective bargaining.

Table 5.5 Pay provisions in company collective agreements by type of labour organization, 2012-2015

Year	2012			2013			2014			2015		
Change in pay by type of labour organization	Numb er of CAs	% in total	% in type of union	Numb er of CAs	% in total	% in type of union	Numb er of CAs	% in total	% in type of union	Numb er of CAs	% in total	% in type of union
Association of Persons	705	72,2	100,0	216	52,7	100,0	135	47,2	100,0	117	44,7	100,0
Stable Pay	7	0,7	1,0	54	13,2	25,0	54	18,9	40,0	62	23,7	53,0

Pay Increase	2	0,2	0,3		0,0	0,0	1	0,3	0,7	4	1,5	3,4
Pay Decrease (between 5%-9%)	3	0,3	0,4	3	0,7	1,4	2	0,7	1,5	1	0,4	0,9
Pay Decrease (between 10%-14%)	25	2,6	3,5	8	2,0	3,7	4	1,4	3,0		0,0	0,0
Pay Decrease (between 15%-19%)	33	3,4	4,7	3	0,7	1,4	1	0,3	0,7		0,0	0,0
Pay Decrease (20% +)	84	8,6	11,9	6	1,5	2,8		0,0	0,0	3	1,1	2,6
No reference to pay change		0,0	0,0		0,0	0,0	2	0,7	1,5	4	1,5	3,4
Pay adjusted to the NGCA Minimum Wage (ΕΓΣΣΕ)	461	47,2	65,4	90	22,0	41,7	25	8,7	18,5	27	10,3	23,1
Agreement regulates other than pay issues	82	8,4	11,6	24	5,9	11,1	27	9,4	20,0	3	1,1	2,6
Pay adjusted to Legislated Minimum Wage	8	0,8	1,1	28	6,8	13,0	19	6,6	14,1	13	5,0	11,1
Company Union	173	17,7	100,0	171	41,7	100,0	136	47,6	100,0	134	51,1	100,0
Stable Pay	58	5,9	33,5	62	15,1	36,3	71	24,8	52,2	88	33,6	65,7
Pay Increase	4	0,4	2,3	12	2,9	7,0	7	2,4	5,1	15	5,7	11,2
Pay Decrease (between 5%-9%)	7	0,7	4,0		0,0	0,0	5	1,7	3,7		0,0	0,0
Pay Decrease (between 10%-14%)	15	1,5	8,7	5	1,2	2,9	3	1,0	2,2		0,0	0,0
Pay Decrease (between 15%-19%)	5	0,5	2,9	4	1,0	2,3	2	0,7	1,5	1	0,4	0,7
Pay Decrease (20% +)	13	1,3	7,5	2	0,5	1,2	1	0,3	0,7	2	0,8	1,5
No reference to pay change		0,0	0,0	1	0,2	0,6	10	3,5	7,4	11	4,2	8,2
Pay adjusted to the NGCA Minimum Wage (ΕΓΣΣΕ)	6	0,6	3,5	3	0,7	1,8	3	1,0	2,2		0,0	0,0

Agreement regulates other than pay issues	64	6,6	37,0	73	17,8	42,7	33	11,5	24,3	17	6,5	12,7
Pay adjusted to Legislated Minimum Wage	1	0,1	0,6	9	2,2	5,3	1	0,3	0,7		0,0	0,0
Federation	1	0,1	100,0	10	2,4	100,0	2	0,7	100,0	6	2,3	100,0
Stable Pay		0,0	0,0	5	1,2	50,0		0,0	0,0	3	1,1	1,1
No reference to pay change		0,0	0,0	2	0,5	20,0	1	0,3	50,0	1	0,4	0,4
Agreement regulates other than pay issues	1	0,1	100,0	3	0,7	30,0	1	0,3	50,0	2	0,8	0,8
Primary Level Union	97	9,9	100,0	13	3,2	100,0	13	4,5	100,0	5	1,9	100,0
Stable Pay	92	9,4	94,8	4	1,0	30,8	6	2,1	46,2	2	0,8	40,0
Pay Increase	1	0,1	1,0	1	0,2	7,7		0,0	0,0	1	0,4	20,0
Pay Decrease (between 5%-9%)		0,0	0,0	1	0,2	7,7	1	0,3	7,7		0,0	0,0
Pay Decrease (between 10%-14%)		0,0	0,0		0,0	0,0	1	0,3	7,7		0,0	0,0
Pay Decrease (between 15%-19%)		0,0	0,0	1	0,2	7,7	1	0,3	7,7	1	0,4	20,0
Pay Decrease (20% +)	1	0,1	1,0	1	0,2	7,7		0,0	0,0		0,0	0,0
No reference to pay change		0,0	0,0		0,0	0,0	2	0,7	15,4		0,0	0,0
Pay adjusted to the NGCA Minimum Wage (ΕΓΣΣΕ)		0,0	0,0	2	0,5	15,4		0,0	0,0		0,0	0,0
Agreement regulates other than pay issues	3	0,3	3,1	3	0,7	23,1	2	0,7	15,4	1	0,4	20,0
Total	976	100,0		410	100,0		286	100,0		262	100,0	

Source: for 2012: Ioannou –Papadimitriou (2013), for 2013: Papadimitriou & Ioannou (2015), for 2014-2015 own elaboration of data from Ministry of Labour and OMED.

In 2012 two in three (66.5%) company agreements that were signed by ‘Associations of Persons’ downgraded pay to the level of the reduced minimum wage -either the EGSSE or the statutory minimum wage. This remained the main function of this type of company agreement during 2013-2015 also, although with a decreasing share (55% in 2013, 33% in 2014 and 34% in 2015). The second function of the company collective agreements signed by Associations of Persons in the same period was to facilitate the opting out from sectoral collective agreements and to operationalize a downward wage adjustment albeit with the base rate somewhere above the national minimum wage (21% of company agreements in 2012, 9% in 2013, 5% in 2014 and 4% in 2015).

Company collective agreements signed by company unions have played a rather different role in wage determination. During 2012-2015, these agreements were more likely to function as a source of pay stability – ranging from one third of agreements (34%) in 2012) to two thirds (65.7%) in 2015. Their provisions for downward wage adjustment have been more regulated and moderate. Only a very small share of company collective agreements signed by company unions negotiated wages down to minimum wage levels; the highest share was recorded in 2013 at 7%. Similarly, we find less likelihood of this type of company collective agreement negotiating wage cuts compared to those signed by Associations of Persons, and a greater likelihood of providing pay increases (ranging from 2% in 2012 to 11% in 2015).

Another interesting development since 2012, and indicated in table 5.5., is the occurrence of company collective agreements signed by union Federations or Primary level unions –namely, unions that organize employees of a sector or of an occupation across many companies. This is explained by the expiry of the umbrella sectoral and occupational collective agreements and highlights the successful trade union efforts to preserve collective bargaining in cases where company trade unions were absent. This development, which was evident most prominently in the hotel sector (see section 4) limited the risk of fragmented bargaining that could arise in cases where associations could be used instead and ensured a degree of bargaining coordination at company level.

Downward wage adjustment and internal devaluation is also observed in the pay provisions of the few sectoral and occupational collective agreements that have been renewed since 2012. In 2012 one in two of the sectoral and occupational collective agreements provided for wage cuts. In 2013 wage cuts were agreed in one in three sectoral collective agreements. In 2014 this dropped to one in five. In 2012 one in four agreed to freeze pay, rising to one in three in 2013 and one in two in 2014. In 2013 just one in ten negotiated a wage increase, doubling to two in ten in 2014 (Papadimitriou & Ioannou, 2015: 109-110).

Sector patterns

Although there appears to be a moderation of the internal devaluation and wage adjustment process, indicated both by the wage development indicators (table 5.4) and by the collective bargaining developments (table 5.5), there are also different trajectories that can be traced across different sectors.

Tables 5.6 and 5.7 outline trends in wage adjustment for 2011-2015 for five sectors that have also followed different collective bargaining trajectories. In the absence of disaggregated data by ELSTAT at the sectoral level corresponding to the bargaining levels and units observed in the bargaining structure in Greece, we use IKA unpublished wage and employment statistics, drawing on the registered/insured employees. Although we know that since 2009 the share of part-time employment in the IKA insured employees has risen from 15.9% in 2009 to 26.1% in 2014 (IKA, 2015: 9), for our analysis tables 5.6 and 5.7 report only data for full-time insured employees in order to provide a less blurred picture caused by composition effects. In all five selected sectors, wage determination before the crisis and the reforms was characterized by sector level collective bargaining. The five sectors are: hotels, restaurants, metal industry, confectionary food industry and retail. The overall picture is one of considerable heterogeneity

in both the depth of average earnings adjustment and the specific timing of adjustments over the four-year period. In other words, the pattern of change has also generated a considerable shift in the structure of relative wages across sectors.

Table 5.6 INSURED EMPLOYEES (FULL TIME) AND AVERAGE WAGE - CHANGE 2011- 2015

		2011			2015			Change % 2011 – 2015		
SECTOR	SEX	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL
ALL SECTORS	INSURED EMPLOYEES	660.031	518.696	1.178.727	795.296	625.399	1.420.695	20,5	20,6	20,5
	AVERAGE WAGE	1.550,32	1.305,05	1.442,39	1.264,23	1.054,52	1.171,91	-18,5	-19,2	-18,8
RESTAURANTS	INSURED EMPLOYEES	27.396	23.907	51.303	47.125	36.210	83.335	72,01	51,46	62,44
	AVERAGE WAGE	833,83	812,23	823,77	482,83	496,46	488,76	-42,09	-38,88	-40,67
HOTELS	INSURED EMPLOYEES	36.770	47.986	84.756	51.856	61.617	113.473	41,0	28,4	33,9
	AVERAGE WAGE	1.394,75	1.251,94	1.313,90	1.120,52	1.001,10	1.055,67	-19,7	-20,0	-19,7
CONFECTIONARY	INSURED EMPLOYEES	13.739	11.998	25.737	15.125	13.568	28.693	10,09	13,09	11,49
	AVERAGE WAGE	1.295,57	1.087,00	1.198,34	1.034,68	844,41	944,71	-20,14	-22,32	-21,17

METAL	INSURED EMPLOYEES	40.785	7.181	47.966	35.766	5.840	41.606	-12,3	-18,7	-13,3
	AVERAGE WAGE	1.463,93	1.312,43	1.441,25	1.267,40	1.160,44	1.252,38	-13,4	-11,6	-13,1
RETAIL	INSURED EMPLOYEES	50.665	80.096	130.761	55.049	82.871	137.920	8,7	3,5	5,5
	AVERAGE WAGE	1.227,77	1.136,36	1.171,78	990,28	875,30	921,19	-19,3	-23,0	-21,4

Source: IKA (Social Security Fund). Notes: RESTAURANTS, IKA codes 5530, 5540, 5542, 5551; HOTELS IKA codes 5511, 5512; CONFECTIONARY IKA codes 1584, 1585, 1586, 1587; METAL IKA codes 2711-2752, 2811-2872, 2911-2972, 3001-3002, 3111-3162; RETAIL IKA codes 5052-5053, 5211-5212, 5221-5223, 5231-5233, 5241-5244, 5251-5252, 5261-5262, 5271-5273. Because of data availability in the period of writing data refer to the following periods. All sectors: January 2012, January 2013, January 2014, January 2015, September 2015. Restaurants: January 2012, December 2012, December 2013, December 2014, April 2015. Hotels: August 2011, August 2012, August 2013, August 2014, August 2015. Confectionary: January 2012, December 2012, December 2013, December 2014, April 2015. Metal: January 2012, January 2013, January 2014, January 2015, September 2015. Retail: January 2102, January 2013, January 2014, January 2015, October 2015.

TABLE 5.7 ANNUAL CHANGES IN EMPLOYMENT (INSURED FULL-TIME EMPLOYEES) AND IN AVERAGE WAGE, 2011-2015

		2011-2012			2012-2013			2013- 2014			2014 – 2015			2011 – 2015		
SECTOR	SEX	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL
ALL SECTORS	INSURED EMPLOYEES	-1,3	-5,0	-2,9	3,4	6,3	4,7	3,8	1,6	2,9	13,7	17,4	15,3	20,5	20,6	20,5
	AVERAGE WAGE	-5,7	-5,5	-5,5	-5,6	-7,2	-6,3	-2,8	-1,7	-2,3	-5,7	-6,3	-6,1	-18,5	-19,2	-18,8
RESTAURANTS	INSURED EMPLOYEES	-13,4	-13,0	-13,2	67,7	53,0	60,8	10,6	6,1	8,6	7,2	7,2	7,2	72,0	51,5	62,4

	AVERAGE WAGE	-13,3	-14,9	-14,0	-30,8	-25,4	-28,4	-4,0	-2,2	-3,2	0,5	-1,5	-0,4	-42,1	-38,9	-40,7
HOTELS	INSURED EMPLOYEES	-0,6	-3,1	-2,0	13,1	8,7	10,7	16,3	14,4	15,3	7,8	6,5	7,1	41,0	28,4	33,9
	AVERAGE WAGE	-9,8	-12,0	-10,9	-6,8	-6,0	-6,3	-4,1	-2,6	-3,3	-0,4	-0,7	-0,5	-19,7	-20,0	-19,7
CONFECTIONARY	INSURED EMPLOYEES	-7,9	-7,3	-7,6	6,7	6,9	6,8	8,2	10,6	9,3	3,5	3,1	3,3	10,1	13,1	11,5
	AVERAGE WAGE	-7,4	-12,1	-9,4	-8,1	-6,6	-7,4	-3,0	-2,6	-3,0	-3,3	-2,9	-3,1	-20,1	-22,3	-21,2
METAL	INSURED EMPLOYEES	-14,6	-14,3	-14,6	-2,7	-7,6	-3,4	4,4	1,5	4,0	1,1	1,1	1,1	-12,3	-18,7	-13,3
	AVERAGE WAGE	-5,8	-5,0	-5,7	-5,1	-4,9	-5,0	-1,6	-1,0	-1,5	-1,6	-1,2	-1,5	-13,4	-11,6	-13,1
RETAIL	INSURED EMPLOYEES	-8,4	-12,0	-10,6	4,5	2,1	3,0	6,6	6,4	6,5	6,5	8,2	7,5	8,7	3,5	5,5
	AVERAGE WAGE	-6,4	-9,1	-7,9	-6,9	-6,9	-6,8	-4,5	-4,6	-4,5	-3,1	-4,6	-4,0	-19,3	-23,0	-21,4

Source: IKA (Social Security Fund). Because of data availability in the period of writing data refer to the following periods. All sectors: January 2012, January 2013, January 2014, January 2015, September 2015. Restaurants: January 2012, December 2012, December 2013, December 2014. April 2015. Hotels: August 2011, August 2012, August 2013, August 2014, August 2015. Confectionary: January 2012, December 2012, December 2013, December 2014, April 2015. Metal: January 2012, January 2013, January 2014, January 2015, September 2015. Retail: January 2102, January 2013, January 2014, January 2015, October 2015.

In metal, although the sector suffered heavy job losses (13%), this was in fact lower than the economy-wide fall in full-time employment and is associated with a lower than average wage adjustment of 13%. In relative terms, average earnings of full-time employees in the metal sector increased over the period from being in line with the all-economy average (around €1.4k per month) to a lower absolute level that was higher than average earnings (around €1.3k per month versus the all-economy average of €1.2k). In the hotels sector, where sectoral bargaining continued throughout the crisis, wage adjustment has been close to the average all-economy level. It is also noteworthy that the hotels sector has contributed to the employment recovery since 2012. The evidence from the metal and hotel sectors suggest that in the context of the crisis the tradables sectors have shown more resilience and importantly there is evidence of continuity of the life of associational organisations in the national system of industrial relations (with the exception of the sectoral agreements covering large metal manufacturing and silver and goldsmith manufacturing).¹⁷⁰

In contrast, the restaurants sector is a case where both the associational life, the bargaining tradition of the past and the sector wages have collapsed (by 41%) well above the national average of wage adjustment (table 5.6). The collapse occurred mainly in 2012-2013. Wage adjustment moved rapidly in 2012-2013 towards the reduced level of national minimum wage fixed in 2012. Further, the confectionary industry sector represents a case where the wage adjustment has been slightly above average (around a 22% cut). The retail sector represents another case where the wage adjustment has been continuous and slightly above average (a 21.4% cut) and where full time jobs recovered since the crisis low levels of 2011-2012. Despite the conclusion of an annual collective agreement in 2012 (for the period 1.8.2012 – 31.7.2012) providing for wage cuts of 6,7%,¹⁷¹ actual wages in the sector have been decreasing since 2012, and the 2012 pay cut was only synchronized with this trend, which continued further in 2013-2015.

5.4. Summary and conclusion

The evidence suggests that the relationship between collective bargaining and wage determination for the private sector workforce has been radically affected by the new regulatory framework. The failure to renew sectoral and occupational collective agreements since 2012 has led to the shrinkage of higher-level collective agreements, as the number of collective agreements declined from the 100 sectoral and 90 occupational that prevailed before the crisis to less than 20 since 2013. The expansion of company agreements since 2012 has played a dual role. In most cases their primary function for employers has been to opt out from existing sectoral and occupational collective agreements; the main mechanism being used here was the associations of persons. In some cases (where unions are recognized)¹⁷² they have been used to preserve and/or revive collective bargaining coverage at the company level in the absence of the sectoral and occupational collective agreements. The overall outcome of these changes is the outright collapse of collective bargaining coverage - from 65% in 1996 to just 10% in 2014 and collective bargaining now covers only around one in ten private sector employees.

The reasons for the collapse in collective bargaining coverage are both legal and structural. The legal measures refer to the abolition of the right to unilateral recourse to arbitration imposed during 2012-2014 and to the suspension of extension mechanisms until 2016. The structural reasons are also significant and refer to the structural collapse of the economy, which lost 26% of GDP, to the 1 million jobs (-22%) that were lost almost entirely in the private sector, and to the 37% of the companies that closed down. Both factors have undermined the ability of unions and employers' associations to regulate wages. Under the new regulatory framework, collective bargaining, receded and decentralized to the company level,

¹⁷⁰ See section 4.

¹⁷¹ See section 4.

¹⁷² See also the company case study evidence in section 6.

operated in conjunction primarily with the significant cuts in the NMW levels, to drive the internal devaluation process regarding wage levels in 2012-2013, albeit with some evidence of wage moderation in the later stages of the crisis period. In this respect, the developments in the use of opt-outs at company level point to the problems for bargaining coordination where associations of persons are involved in the wage determination process.

Against this context, the collective bargaining developments in the tourist sectors – with sectoral collective agreements adjusting to developments and company collective agreements exemplifying both centrifugal and centripetal tendencies, outline the new challenges for reviving collective bargaining institutions and processes in Greece and re-linking wage determination to collective bargaining. The challenge goes beyond the reinstated right to unilateral recourse to arbitration, and lifting the temporary suspension of the collective agreements' extension mechanism. The reinstated arbitration has not led to a reinstated bargaining structure. In the same line of argument, the lifting of the temporary suspension of the collective agreements' extension mechanism cannot by itself reinstate the preexisting bargaining structure. The extension mechanism should be reinstated but in parallel the collective actors have to pay attention to the need to strengthen their membership base and improve their representation in order to be able to revive collective bargaining processes in Greece and re-link wage determination to their collective bargaining. In this context, both sides and third parties, including dispute resolution institutions, should operate as facilitators of collective bargaining and promote negotiated outcomes and not as bypasses or shortcuts to the outcome of the procedures of collective bargaining among the parties. The creation and support of good faith bargaining in the context of Greek crisis implies genuine and persistent efforts by both parties to reach an agreement, and the negotiations should be constructive, based on analytical information and data concerning their demands and proposals and the interests of their members.

Procedural and representational issues apart, and although Greece is lacking a strong manufacturing and export sector the question of balancing wage formation between the exposed tradable sectors and the protected not tradable sectors should be considered for setting benchmarks in wage determination through collective bargaining. By using this type of benchmarks in wage formation, Greece managed to reach the relevant criteria for becoming a member of the EMU (Ioannou, 1998) and by neglecting these criteria in wage formation during its EMU period in 2002-2009 it moved towards the 2009-2010 crisis and collapse (Ioannou and Ioannou, 2013). Therefore balancing wage formation between these two sectors of the economy remains a key challenge (see also in Cutcher-Gershenfeld et al 2015).

6. What outcomes for sectors, firms and workers? Case-study evidence

Section 6 now considers the case-study evidence for the outcomes of collective bargaining for sectors, firms and workers. In light of the developments in the structure, process and character of collective bargaining discussed in sections 4 and 5, the key question here is the degree to which the changed landscape of collective bargaining enables or hinders protection and growth against continuing and deepening economic uncertainty. For workers, uncertainty over employment and/or income is uppermost. For employers, concerns relate to the timing and strength of an upturn in economic activity, the retention of trained and experienced labour, securing immediate reductions in costs, and maintaining cooperative relations with the workforce. Collective bargaining can enable workers and employers to negotiate measures which provide a degree of protection to both parties by balancing the risks of uncertainty. In this context, supplementary intervention by the state can modify the terms of trade-offs and underpin longer-term sustainability of the negotiated distribution of uncertainty between employers and workers (Glassner et al. 2011: 305).

The analysis in this section is framed by the notion of ‘regulatory indeterminacy’ (Deakin and Sarkar 2008), which assumes that the economic effects of the labour law reforms projects are a priori indeterminate. In particular, our analysis has an open-minded view as to the likely consequences of the deregulatory reforms in Greece given that their effects are refracted by the specific institutional and economic context. Issues considered here include changes to the shape of the wage distribution at sector and company levels, as well as to general terms and conditions of employment and the quality of work. Faced with restricted financial conditions, unions and employers may opt for alternative settlements to secure ‘bottom-weighted’ deals that disproportionately benefit the lowest paid, or trade-off employment conditions for much needed rises in basic salaries. This section also considers the effects on economic and productivity growth, again at sector and company levels where appropriate.

In terms of the factors affecting the content of collective bargaining, the findings indicate that the incidence and outcome of negotiated or concerted employer and trade union responses were shaped predominantly by the changes in the legal-institutional framework concerning not only collective bargaining but also the national minimum wage, as well as the economic situation. Despite the considerable institutional and economic constraints, the research also highlights the relevance of employer and trade union strategies. In terms of the wage distribution outcomes (at sector and company levels), the company case studies reveal significant downward wage pressures, which were implemented in some cases by company agreements but predominantly via individual bargaining or unilateral employer action. Crucially, there is no evidence that wage reductions were substitutes for job losses and in fact a number of employers made simultaneous use of both. Evidence of distributive trade-offs was mostly provided in cases where bargaining took place with trade unions. Furthermore, the findings suggest a significant increase in labour market informality, affecting not only workers (reduced employment rights and social security protection), but also employers (a perceived increase in unfair competition) and the state (reduced income for tax and social security revenues). Given the unintended and persistent negative consequences of reforms, the bulk of employers and trade unions interviewed for this research were in favour of alternative reforms that could institute a ‘well governed’ system of collective bargaining as a means to ensure greater wage coordination, to support negotiated trade-offs between protections and uncertainties, and to limit unfair competition between companies.

6.1. Wage distribution outcomes at sector and company levels

*Sector-level developments*¹⁷³

Under multi-employer bargaining, sector and inter-sector agreements can provide a central steer to company-level negotiators, the range and variety of measures and as such provide greater protection against employment uncertainty than in the case of single-employer bargaining (Glassner et al. 2011). As analysed in sections 4 and 5, among the major national sectoral agreements renewed during the crisis were those for the **hotel sector** (one national sectoral coupled with a number of regional ones). The national sectoral agreement, which survived the whole period 2011-2016, was renewed in 2010 and then again in 2012, 2013 and 2016. In 2010, the agreement stipulated a one-year wage freeze and a 1% wage increase for 2011, 2012 and subsequent years.¹⁷⁴ In 2012, the agreement was renewed, following mediation; it stipulated wage cuts of around 15% but retained all other institutional and wage provisions as well as those concerning allowances. It was recognised that the conclusion of the agreement had incurred significant costs for the union movement and its implementation was fraught with problems.¹⁷⁵

The agreement was renewed again in 2013: wage freezes were stipulated for 2014 and wage increases of 1% for 2015. The 1% increase in the 2013 agreement was attributed to the broadly positive developments in terms of growth in the sector.¹⁷⁶ The last agreement to be concluded in hotels, in 2016 (see table 6.1), included similar provisions: wage freezes for all categories of employees for a year (and a 1% increase for the second year of the agreement (i.e. 2017). Whilst it was deemed that the economic outlook was uncertain for the sector in 2016, the parties agreed on a further 1% increase in the expectation that the economic situation would improve. The renewed hotel sector agreement has not revised the factors affecting wage determination in the collective agreement and has consistently listed the main factor as the economic performance of the sector.¹⁷⁷ Supplementary to the national sectoral agreement, two regional sectoral agreements were renewed in Crete and Rhodes (albeit excluding certain districts, such as Rethymno and Heraklion for example).¹⁷⁸ However, as discussed in sections 4 and 5, company-level agreements were concluded with associations of persons, reducing significantly the wage levels, often down to the NMW levels.

In the **retail sector**, an annual collective agreement was concluded in 2012 (for the period 1.8.2012 – 31.7.2013) providing for wage cuts of 6,7%: entry wages were set at €860 per month,¹⁷⁹ a move of concession bargaining. The agreement built on the past tradition of voluntary collective agreements of the pre-crisis period.¹⁸⁰ However, since 2013, the agreement has not been renewed (see section 4). Against

¹⁷³ See also sections 4.2 and 5.3.

¹⁷⁴ Provisions of similar nature, including wage freezes initially and wage increases later, were stipulated in the case of seasonal workers.

¹⁷⁵ POEE-YTE, interview notes.

¹⁷⁶ The direct contribution of travel and tourism to GDP was EUR11.8bn (7.0% of total GDP) in 2014 and was forecast to rise by 3.6% in 2015, and to rise by 3.6% pa, from 2015-2025, to EUR17.5bn (7.9% of total GDP) in 2025 (World Travel and Tourism Council 2015).

¹⁷⁷ POX, interview notes.

¹⁷⁸ In addition, POX has been traditionally a party to the occupational agreement covering electricians working in the hotel (the trade union is the Federation of Electricians of Greece). The agreement was renewed during the crisis period and use of mediation (but not arbitration) was made. The 2014 agreement maintained the wage levels of the 2010 agreement, reduced by 10% the allowance for unhealthy employment but retained all other allowances. The 2015 agreement, which was concluded following mediation, codified a number of provisions contained in previous collective agreements and incorporated the working time provisions of the national sectoral agreement in the hotel sector. The 2016 agreement maintained the wage levels of the 2015 agreement.

¹⁷⁹ In the pre-crisis period, the agreement was concluded between ESEE, GSEVEE, SELPE and SESME on the side of employers and OIYE on the side of workers.

¹⁸⁰ In March 2011, the parties had reached a retrospective agreement to bridge the period since 1.1.2010 that provided for an upward pay adjustment of 1,6% as from 1.7.2011 based on the Eurozone harmonised index of consumer prices, following the pattern set by the EGSSE.

this context, trade unions attempted to coordinate informally company-level negotiations with a view to preserve collective bargaining even with reductions in wages. However, interviewees reported challenges in terms of the low unionisation rates of employees in the sector and the fragmentation of the union movement due to political divisions.¹⁸¹ On the employer side, no coordination attempts were made by the higher-level employers' associations (e.g. GSEVEE) unless the issues became the subject of mediation and/or arbitration; further, there was no evidence of pattern-setters in the sector.¹⁸²

In **manufacturing**, the only sectoral agreement to be renewed successfully during the crisis (albeit lacking participation from one of the employers' federations) was for metal production, processing, repair, assembly and packaging in automotive, machine and motorcycle repair. The agreement was renewed in 2013, providing wage freezes at the levels of the 2010 sectoral agreement. The sectoral agreement was concluded against a context of a significant decline in demand (35% in 2011, 60% in 2012 and 72% in 2013).¹⁸³ The agreement was extended (up to 2015) but without the participation of EOVEAMM and a new agreement was concluded in 2015 between GSEVEE, POVAS and POEM that maintained the same terms and conditions of employment. The 2015 agreement was extended further for a year, until August 2016. In none of the agreements were there any changes in respect of other terms, including allowances and maturities.

Against the context of growing labour market segmentation, which partly arose as a result of the differences in the application of agreements as well as the differentiation in the national minimum wage levels between workers under and above 25 years old (see analysis below on company-level developments), there was some evidence to suggest that collective bargaining at sectoral level was used by the parties as a mechanism to reduce the risk of inequality. Cases where provisions were made to address the wage differentials between young and older workers were found in regional agreements in the hotel sector.¹⁸⁴ The 2016 regional sectoral collective agreement for hotels in Lasithi and the 2012 hotels agreement for Rhodes fixed basic wages for workers aged under 25 at 10% higher than the national statutory minimum wage, although interviewees expressed worries about employer compliance.¹⁸⁵ However, both agreements provided that the wage rates for those less than 18 years old would be determined on the basis of the national general labour agreement.¹⁸⁶ Similarly, the construction sectoral agreement provided that young workers would not be subject to the new sub-minimum wage, but would instead be covered by wage rates set by the 2008 collective agreement and the 2011 arbitration decision.¹⁸⁷

¹⁸¹ OIYE, interview notes.

¹⁸² GSEVEE, interview notes.

¹⁸³ EOVEAMM, interview notes.

¹⁸⁴ The provisions in respect of workers below 25 years old in the Lasithi and Rhodes agreements are in contrast to the 2012 and 2014 regional sectoral collective agreements for Chania, which provided that the wage rates in the case of under 25 years old employees were regulated by Ministerial Council Act 6/28-2-2012 (Art 1(1)(b)).

¹⁸⁵ In some cases (e.g. 2012 regional sectoral agreement for Rhodes), reference was made to the Ministerial Council Act 6/28-2-2012 in respect of the maturity allowances.

¹⁸⁶ No changes were made in respect of the re-hiring rules of seasonal employees, traditionally dealt with by legislation (Article 8(1) of Law 1346/1983) as well as the national and regional sectoral agreements.

¹⁸⁷ The agreement was concluded in 2012 between PEDMIEDE (on the employers' side) and OSETEE and STYE (on the employee side) and stipulated a reduction of wage levels by 18%.

Table 6.1 Wage rates as determined by the national sectoral agreements in hotels

Year	Basic monthly rates	Basic daily rates (for seasonal workers)
2010 collective agreement (1.1.2010-31.12.2010)	2010: wage freeze (per 2009 agreement): <ul style="list-style-type: none"> • Category A: 947,96 Euros • Category B: 927,86 Euros • Category C: 909,57 Euros • Category D: 869,22 Euros 2011: 1% wage increase 2012-expiry: further 1% wage increase	2010: wage freeze (per 2009 agreement) <ul style="list-style-type: none"> • Waiters: 68,10 Euros • Assistant waiters: 59,57 Euros 2011: 1% wage increase 2012-expiry: further 1% wage increase
2012 collective agreement (1.7.2012-31.12.2013)	2013: wage cuts to all categories Category A: 821,96 Euros Category B: 804,62 Euros Category C: 788,69 Euros Category D: 753,69 Euros	2013: wage cuts Waiters: 62,50 Euros Assistant waiters: 54,50 Euros
2013 collective agreement (1.1.2014-31.12.2014)	2014: wage freeze (per 2012 agreement) 2015: <ul style="list-style-type: none"> • Category A: 830,18 Euros • Category B: 812,67 Euros • Category C: 796,58 Euros • Category D: 761,23 Euros 	2014: wage freeze (per 2012 agreement) 2015: 1% wage increase <ul style="list-style-type: none"> • Waiters: 63,13 Euros • Assistant waiters: 55,05 Euros
2016 collective agreement (1.1.2016-31.12.2017)	2016-31.3.2017: wage freeze (per 2013 agreement) 01.4.2017-31.12.2017: 1% wage increase <ul style="list-style-type: none"> • Category A: 838,48 Euros • Category B: 820,80 Euros • Category C: 804,55 Euros • Category D: 768,84 Euros 	2016-31.3.2017: wage freeze (per 2013 agreement) 01.4.2017-31.12.2017: 1% wage increase <ul style="list-style-type: none"> • Waiters: 63,76 Euros • Assistant waiters: 55,60 Euros

Source: Ministry of Labour and Social Security, authors' original compilation.

Company-level developments

As a result of the contraction of multi-employer bargaining, the opportunity for unilateral employer regulation, as an ever present substitute for the joint regulation that collective bargaining entails (Traxler 2003), was quickly seized by employers. As analysed in section 5, the changes in the regulatory framework on collective bargaining together with the reduction of the NMW levels, which was no longer to be jointly agreed and became statutory from 2012, initiated a process of massive downward pressures on wages. Evidence from our company case studies as well as the sectoral interviews suggests that four sets of responses were developed, as follows:

- i. *Dualist response*: tacit compliance with the terms and conditions of expired agreements for incumbent employees coupled with the use of the NMW for newly recruited employees (including sub-minimum statutory rates for young workers);
- ii. *Shared pain*: wage cuts for all employees, although not down to the levels of the NMW, coupled in some cases with the use of NMW for newly recruited employees (including sub-minimum statutory rates for young workers);
- iii. *Aggressive cuts*: unilateral management action, threat of dismissal or negotiation with ‘associations of persons’ as a means to drive down wages to the NMW levels;
- iv. *Rule dodging response*: reducing formal conditions to the NMW levels and providing additional, undeclared payments.

There was some evidence to suggest that the employer responses varied by sector and firm size, as well as the presence and form of trade union structure at company level and the relationship between union representatives and management. Evidence from the interviews in the **manufacturing sector** confirmed that most agreements introduced wage reductions in an effort to reduce costs with some even reducing wages down to the NMW levels (table 6.2) ¹⁸⁸ Evidence of differentiation between large, medium and small companies was provided. In large companies, the cuts mainly affected the variable part of wages (including compensation for overtime, for instance) and certain wage components outside legislation or collective agreements (including for instance, bonus payments and fringe benefits such as company cars), which constituted nonetheless an important element of the remuneration package. There were incidences of successive company agreements incorporating wage reductions within a short period of time, including, for instance, the conclusion of six agreements modifying wage levels in less than two years in a single company (see table 6.3). The reduced rate of significant wage reductions in some companies was attributed to the better profit results of such companies as well as the strategic decisions of management to adopt a policy of ‘good practice’ for reasons of reputation and brand. ¹⁸⁹ Importantly, there was a greater number of medium-sized enterprises that enacted the ‘aggressive cuts response’ identified above – namely, they reduced wage levels and enacted dismissals at the same time through unilateral employer action. This represents a clear ‘double penalty’ to workers and indicates the failure of the legal reforms to promote wage reductions as an alternative to job losses. In such cases, the wage reductions took place predominantly through individual agreements, as the practice of company agreements was not widespread in companies of this size in the pre-crisis period. ¹⁹⁰

¹⁸⁸ Federation of Milk, Food and Drinks, interview notes.

¹⁸⁹ MediumMetalCo management, interview notes.

¹⁹⁰ SEV, interview notes.

Table 6.2. *Examples of developments in wages and other conditions of employment in the company case studies in manufacturing*

Case studies	Wage determination and related issues	Working time issues	Workforce and other issues
LargeMetalCo	<ul style="list-style-type: none"> - Delays in salary payment of 2-3 months - Reduction of salary in the case of (70) senior managers 	<ul style="list-style-type: none"> - Reduction of overtime during shift work by 30 minutes - Stricter monitoring of employment so as to reduce the recourse to overtime work 	<ul style="list-style-type: none"> - Absence of replacement of 356 posts that became vacant due to retirement - Application to be subject to Article 99 of the pre-insolvency proceedings - Abolition of benefits related to social activities, e.g. theatre tickets - Abolition of policy of supporting the social security contributions of employees
MediumMetalCo	<ul style="list-style-type: none"> - Application of pay freezes to existing employees - Recruitment of new employees on the basis of the NMW (586 Euros) - Recruitment of new young employees on the basis of the NMW for workers under 24 (511 Euros) 	No change	<ul style="list-style-type: none"> - Outsourcing of cleaning and security services - Lack of security personnel
SmallMetal1Co (silversmith)	<ul style="list-style-type: none"> - Pay freeze - Nominal decrease to the NMW 	- Introduction of intermittent working time	<ul style="list-style-type: none"> - Recruitment of two employees - Bogus dismissals (instead of resignations)
SmallMetal2Co (silversmith)	<ul style="list-style-type: none"> - Pay freeze - Nominal decrease to the NMW 	No change	<ul style="list-style-type: none"> - Dismissal of three employees (from 4 to 1) - Employment by family members
SmallMetal3Co (silversmith)	<ul style="list-style-type: none"> - Pay freeze - Nominal decrease to the NMW 	No change	No change
SmallMetal4Co (car repairing)	No change	No change	<ul style="list-style-type: none"> - Dismissal of two employees (from 3 to 1) - Undeclared and informal employment
LargeFood&DrinksCo	<ul style="list-style-type: none"> - Pay freeze in the case of highly paid existing employees and small pay increase in the case of existing low wage employees - Abolition of the benefit for unhealthy work - Abolition of maturity provisions - Recruitment of new employees on low wages (application of the NMW) 	-90% reduction of overtime	<ul style="list-style-type: none"> - Personnel reduction by 30 % as a result of retirement and no replacement with new staff - Outsourcing of a number of departments - Reduction in dismissal compensation - Suspension for two years of the annual Halloween social event
MediumFood&DrinksCo	- 30% wage reductions since 2009	- Reduction of the duration of seasonal work (from 8 to 3 months)	- Suspension of the operation of 2 (out of 3) sites

	- Wage reduction of seasonal workers to the national minimum wage level plus benefits		-Voluntary transfer of employees from the 2 sites, whose operation was suspended, to the 3 rd one in a different city
SmallFood&Drinks1Co	- Wage reduction to the national minimum wage levels	No change	-Reduction of workforce from 16 to 6 (case of animal feedstuff manufacturing)
SmallFood&Drinks2Co	- Pay freeze - Nominal decrease to the national minimum wage levels - Application of the national minimum wage in the case of seasonal workers	- 4 hour work in the case of seasonal workers	- 10 dismissals (no replacement)

Source: authors' compilation of company case study evidence.

Table 6.3.Examples of collectively agreed wage levels in metal manufacturing

Company	Management rationale (as stated in the agreement)	Collectively agreed wage levels	Employee representative body
Chalvourgia of Greece	Economic crisis of the country, reduction of construction work (90,9% in total 2008-2012), company losses	<ul style="list-style-type: none"> - 2012-2013: 18% wage reduction -Amendment 07-08/2013: 14% reduction on wages of 30/06/13 - Amendment 09-10/2013: 14% reduction on wages of 30/06/13 - Amendment 11-12/2013 & 01-02/2014: 12.5% reduction on wages of 30/06/13 - Amendment and extension 03-05/2014: 12.5% reduction on wages of 30/06/13 -Amendment and extension 06-09/2014: 12% reduction on wages of 30/06/13 -Amendment and extension 10-12/2014 & 01/2015: 12% reduction of wages of 30/06/13* 	Site-level trade union (Volos)
Sidenor	No reference	01/06/13-30/05/15:15% wage reduction**	Site-level trade union (Thessaloniki)
Chalvourgiki	No reference	01/07/13-31/12/14: <ul style="list-style-type: none"> -Reduction 10% for wages up to 1000 Euros -Reduction 11.5% for wages up to 1500 Euros -Reduction 12% for wages up to 2000 Euros -Reduction 12.5% for wages up to 2500 Euros -Reduction 13% for wages over 2500 Euros -Abolition of Easter and Christmas allowances*** 	Site-level trade union of Eleusina (Attica)
Shipyards of Salamina/New Greek Shipyards	No reference	30/04/12-31/12/2013: Reduction of wages to the levels set by the National General Collective Labour Agreement + 10% allowance 07/05/14-31/12/15: -Reduction of wages to the levels set by the National General Collective Labour Agreement + 10% allowance	Association of persons
Shipyards Lamda	Status of Greek economy, limited business activities, need to ensure staff's rights	24/05/13-24/05/16: Reduction of wages to the levels set by the National General Collective Labour Agreement + 10% allowance to married employees and blue collar workers	Association of persons

Source: Ministry of Labour and Social Security, authors' original compilation. *All reductions concern gross remuneration over 1 100 Euros including overtime. ** Reductions concern gross remuneration over 1,100 Euros without overtime. Condition of the agreement: No dismissals during the collective agreement's period of validity. *** February of 2014: 95% of the staff on temporary layoffs.

The extent of downward wage pressures was even greater in the **restaurants and production and retail of confectionary sectors**, especially among chains and newly established companies.¹⁹¹ Against the context of rising unemployment, significant wage reductions took place either as a result of individual agreements between management and employees or as a result of unilateral management action in the case of employees receiving NMW levels.¹⁹² The absence of unions at company level, due to the size of the companies but also the nature of the workforce (in many cases young and migrant workers), meant that very few agreements were concluded with company unions; there was no evidence either of company agreements with first-level union federations, as in the case of hotels.

Company case study evidence confirmed the use of individual negotiations to drive down wage levels. In LargeRestaurantsCo,¹⁹³ management relied on individual negotiations in September 2012 to reduce wages in respect of the staff employed in the restaurant outlets once the sectoral agreement in the restaurants expired. Owing to concerns about the negative implications for employee morale of imposing significant reductions (40% cuts down to the NMW levels), managers instead applied an initial wage reduction of around 15% and retained the pay premium over the minimum wage as a discretionary benefit. Managers imposed a smaller wage reduction, ranging between 10% and 15%, for office-based employees (covered up to this point by the sectoral agreement for office-based workers) but also reduced the number of people employed by 25%, further evidence of the ‘double penalty’ to workers.¹⁹⁴ Following the statutory reduction of the NMW levels in February 2012, further reductions down to those levels took place in respect of the staff in the restaurant outlets, whilst preserving the marriage and maturity allowances.¹⁹⁵ In ConfectionaryProduction&RetailCo, managers opted for a ‘dualist response’. They cut pay by 10% via individual agreements with incumbent employees (albeit undeclared payments were made) and for newly recruited employees cut pay down to statutory NMW levels. In line with the practice in the pre-crisis period, no extra overtime pay and allowances were provided.¹⁹⁶

There was evidence to suggest that where trade unions were present, the downward wage pressures were not as pronounced and ‘double penalty’ outcomes involving wage cuts and downsizing were avoided. In MediumRestaurantsCo, management agreed during the crisis to successive two-year collective agreements with the company trade union in order to adjust wage levels.¹⁹⁷ The two-year duration of the agreements was attributed to the need to ensure industrial peace.¹⁹⁸ Given the tax increases, the reduction in sales and the general negative economic climate, management requested 25% wage reductions.¹⁹⁹ The broad objective of the union was to maintain collective bargaining and numbers employed even on lower wages – a preference for job security over wage security.²⁰⁰ Following negotiations, the 2012-2013 agreement involved a bottom-weighted settlement with wage cuts ranging from around 10% for the lowest paid to around 20% for higher paid employees; we might label this response a specific form of negotiated ‘shared pain’ approach. Other amendments included the conversion of salary indexation on the basis of maturities to one based on skills, which was supported by the union as it would ensure greater fairness in remuneration.²⁰¹ There were also changes in allowances, including the replacement of all

¹⁹¹ POEE-YTE and large restaurants union representative, interview notes.

¹⁹² POEE-YTE, large restaurants management, interview notes.

¹⁹³ Around 20% of employees were foreigners.

¹⁹⁴ LargeRestaurantsCo, management interview notes.

¹⁹⁵ The preservation of the marriage allowance was questioned by the employee representatives (large restaurants, employee representative interview notes).

¹⁹⁶ Confectionary&RetailCo, management interview notes.

¹⁹⁷ In the pre-crisis period, company bargaining was used to improve upon the terms of the higher, i.e. sectoral and occupational-level agreements, covering employees in the sector and occupations.

¹⁹⁸ MediumRestaurantsCo, management interview notes.

¹⁹⁹ MediumRestaurantsCo, management interview notes.

²⁰⁰ Trade union representative, interview notes.

²⁰¹ MediumRestaurantsCo, interview notes.

allowances (including marriage and unhealthy work), by a discretionary benefit.²⁰² Following delays in the negotiations for the renewal of the agreement in 2015, management was quick to proceed to the recruitment of seasonal staff on the basis of the NMW levels but maintaining the marriage allowance.²⁰³ A collective agreement was then concluded stipulating wage freezes for employees on open-ended contracts (including the provision of an additional allowance of 50 Euros for Christmas and Easter but only for trade union members) and the provision of employee status to seasonal workers whilst maintaining wage levels. Overall, the wage levels were around 35% above the NMW ones. At the time of research, negotiations were underway in respect of further wage cuts by 10%, this being justified by the level of competition, reduced sales and the poor economic climate more broadly.²⁰⁴

In the **retail sector**, some employers in big retail chains reportedly still applied tacitly the expired sectoral agreement with a view to securing employee commitment and maintaining employee skills.²⁰⁵ However, flexibility was sought via changes in employment contracts, e.g. from full-time to short-time and part-time work and from the introduction of variable work schedules (see also section 6.3). In medium-sized retail firms, individual agreements were concluded in some cases, reducing wages by around 15%.²⁰⁶ Trade union interviewees reported that a number of companies had proceeded to wage reductions at the NMW levels.²⁰⁷ Our company case studies confirmed to some extent these trends. In MediumRetailCo, management proceeded to wage cuts of 20% on average via individual negotiations, whilst maintaining jobs. The lower NMW rates (including those regarding young workers) were applied to all newly recruited employees; once again, a dualist response.²⁰⁸ Those employees that did not accept the wage reductions were dismissed.

In LargeRetailCo, management attempted in 2011 to proceed to wage adjustments, including wage reductions of around 22% via an informal agreement with the trade union.²⁰⁹ However, union representatives suspected management were seeking to exploit the changes to drive down labour costs on the basis that the company was not a member of the employers' association.²¹⁰ Following a threat of industrial action by employees, collective negotiations with the company trade union took place and a one-year agreement was reached in June 2012 (importantly after the 2012 legislative changes) incorporating a 9% wage decrease for all employees (including beauticians and retail employees, who were covered at that time by the relevant occupational and sectoral agreements respectively). All allowances provided under the occupational-level agreement (for beauticians) and sectoral agreements (for retail) were retained. Importantly, the 2012 agreement stipulated minimum entry wage levels at €700 for the first six months of employment before progressing to the standard wage level.²¹¹ Both management and employees considered the incorporation of this provision as a means both to promote employee commitment and to differentiate the company from competitors in the sector that paid staff NMW

²⁰² MediumRestaurantsCo, trade union interview notes.

²⁰³ MediumRestaurantsCo, trade union interview notes.

²⁰⁴ MediumRestaurantsCo, management interview notes.

²⁰⁵ SELPE, interview notes.

²⁰⁶ SELPE, interview notes.

²⁰⁷ OIYE, interview notes.

²⁰⁸ MediumRetailCo management, interview notes.

²⁰⁹ LargeRetailCo management, interview notes.

²¹⁰ LargeRetailCo trade union representative, interview notes.

²¹¹ The last occupational-level agreement to be concluded was in 2015 also provided that the minimum wage levels for newly recruited employees were set at 700 Euros for a 6-month period. Following the expiry of the 6-month period, these employees would receive the same levels of wages as the rest of the workforce.

levels.²¹² However, the agreement did not apply to staff employed in the headquarters and the warehouses, where individual negotiations took place leading to higher wage reductions of around 17-18%.²¹³

Negotiations took place in 2013 for the renewal of the company agreement at LargeRetailCo: the agreement maintained the wage levels for beauticians and retail employees, with the latter category not covered any longer by the sectoral agreement, as this had expired. The agreement provided that the wage levels for the retail employees, as set in the company agreement, would be re-adjusted only in case a new sectoral agreement, setting out lower wage rates than those in the company agreement, would be concluded. Again, allowances provided under the occupational and the expired sectoral agreements were maintained. The provision protecting the wage levels of newly recruited employees (i.e. not applying the NMW levels) was maintained, although the duration of entry rates was increased from 6 to 12 months. The collective agreement concluded in 2015 retained this provision but increased the entry wage levels from €700 to €750. For all other employees, i.e. retail employees and beauticians, the wage levels remained the same. The agreement was renewed in 2016, maintaining the wage freezes and all allowances. Following significant increases in company revenues in the previous year (2014-2015), management and the union started contemplating the introduction of small wage increases and the 2016 agreement incorporated a provision providing scope for re-negotiation of the wage levels and allowances. At the time of research, negotiations for the renewal of the agreement were taking place: while there was consensus that there was some scope for wage increases, management was not inclined to come to an agreement whilst there was uncertainty regarding the increases in the non-labour (social security contributions) costs.²¹⁴ Overall, the experience of LargeRetailCo demonstrates the feasibility of constructive collective bargaining to limit the penalties to workers of excessive wage cuts and downsizing with positive medium-term prospects for company performance and upturn in wage levels.

In LargeRetail&OtherServicesCo, company bargaining was used to regulate wage and other issues. Successive company-level collective agreements were concluded in 2008, 2010, 2011, 2012 and 2013. The first two (2008 and 2010) agreements improved upon the terms of the higher-level agreements, including here the sectoral agreements for retail and for other services (office-based employees and manufacturing), and incorporated all the allowances provided in these agreements. The 2011 agreement increased pay by 1.2%. Following the February 2012 legislative reforms, management unilaterally froze all seniority allowances in March 2012. Further, both the 2012 and 2013 collective agreements froze basic wage levels but maintained allowances, as stipulated by the previous company-level agreements (including the allowances regarding marriage, children and education). It was further agreed that the rest of the allowances (e.g. foreign language) would be provided only to incumbent employees as a discretionary benefit. Whilst both parties sought to renew the company agreement in 2015, this did not succeed due to trade union resistance against the incorporation of terms related to the provision of essential personnel in the case of industrial action and management concerns regarding the representativeness of the union.²¹⁵ However, management continued to apply tacitly the expired company agreement concluded in 2013, arguing it was necessary to maintain employee morale and productivity.²¹⁶

²¹² LargeRetailCo management and union, interview notes.

²¹³ Conflicting accounts were provided by the company interviewees regarding the exclusion of those employees from the collective agreement: on the union side, it was argued that management was not eager to include these employees as a means to maintain flexibility while on the management side, it was argued that the union was not keen on representing this category of employees (management and trade union, interview notes).

²¹⁴ LargeRetailCo management, interview notes.

²¹⁵ Management viewed unfavourably the operation of the trade union, as this sought to represent employees in other group companies but also in companies that provided labour outsourcing services to the company (LargeRetail&OtherServicesCo, management interview notes).

²¹⁶ LargeRetail&OtherServicesCo, management interview notes.

Overall, therefore, the workers at this company avoided nominal wage cuts and job cuts but experienced other reductions in terms and conditions.

In the absence of a higher-level agreement covering office-based employees in the **other service sector**, wage reductions down to the NMW levels via company agreements or individual negotiations were reported in some of our cases. In LargeOtherServices2Co, which offered labour outsourcing contracts, management reported that it was primarily the impact of the crisis on its clients that drove down the wage levels.²¹⁷ Driven by the statutory reforms and pressures by clients to reduce their labour costs, managers reduced wage levels down to the NMW, albeit not for all employees: the difference in the wage rates depended on the labour market in the sector where employees would be subcontracted, the skills required, as well as the policy of the clients. No attempt was made to introduce changes via company bargaining with the newly established union, as management argued that the union was not representative (it represented workers across all the sectors where the company provided subcontracting services). Wage reductions took place through a variety of means, including introducing lower rates when fixed-term employment contracts were renewed, through amendments via individual negotiations but also through dismissals of employees who objected to changes in wage levels and their replacement by employees who were then paid the NMW – a form of ‘aggressive cuts’ response as noted above.²¹⁸ The wage reductions in conjunction with other changes affecting, among others, occupational classification and the provision of allowances (e.g. marriage and education) led to real wage cuts by as much as 50%.²¹⁹

No allowances were maintained at another case study, SmallOtherServicesCo.²²⁰ However, in this case, wage increases of around 2-3% were provided to employees as a result of better company performance.²²¹ The only case study where allowances were maintained (albeit with exceptions) was in LargeOtherServices1Co, where company-level bargaining was used to regulate wage levels and other issues during the crisis.²²² There was a change in the factors affecting wage bargaining at company level, moving from considering the market competition (in the pre-crisis period) to evaluating the internal dynamics in the company during the crisis.²²³ In 2010, wage levels were determined on the basis of the European inflation rate while in 2011-2012 wage freezes were introduced alongside the suspension of the seniority allowances for 2012. The 2013 agreement then reduced wage levels by 6% (the initial management proposal was for an 18% decrease). However, the agreement provided a 5% bonus for all employees in case the company recorded profits in 2013-2014 and included a formal declaration of management’s intention to maintain employment levels. Wage levels were frozen in 2015 and it was agreed to provide a subsistence allowance (as a discretionary benefit) up to €300 to all workers if company revenues were stable and up to 5% of profits if the company registered a profit. The 2016 agreement maintained wage levels and increased the maximum subsistence allowance to €500 (in case the company does not record a profit) and maintained the 5% bonus in case the company records additional profits. Additionally, the 2016 agreement increased the allowance provided to the lowest paid office-based employees (not receiving any allowances) from €10-€15 per month.

At a broader level, in the absence of higher-level agreements providing company-level negotiators with a number of instruments and trade-offs facilitating reaching agreements at the company level (Glassner et al. 2011), there was limited evidence across sectors of company measures (in terms both of the range

²¹⁷ LargeOtherServices2Co management, interview notes.

²¹⁸ LargeOtherServices2Co management, interview notes.

²¹⁹ LargeOtherServices2Co trade union interview notes.

²²⁰ SmallOtherServicesCo management, interview notes.

²²¹ SmallOtherServicesCo management, interview notes.

²²² LargeOtherServices1Co management and trade union, interview notes. Company-level bargaining in the pre-crisis period was used to improve upon the terms of the higher-level agreement covering office-based employees.

²²³ LargeOtherServices1Co management, interview notes.

and variety), which could have provided some protection against employment uncertainty. Instead, evidence suggests that the crisis and the associated measures created or exacerbated other inequalities and divisions in the workforce, namely between existing workers and new entrants, with the latter in some cases being excluded from certain benefits and offered much lower wages than those stipulated by collective agreements for existing workers. In this respect, inequalities in pay based on age were enabled by national legislation, namely the significantly lower rate of the NMW for younger workers (below 25 years old). Even in cases where wages were frozen via company bargaining at the pre-crisis level (e.g. in some of our case studies in manufacturing) there was evidence in some cases of maintaining wages for existing workers and applying the lower minimum wage level – with a preference for young workers – when recruiting, as stipulated in the legislation (e.g. MediumMetal).

Similar issues also arose in cases where employers continued to respect tacitly higher-level agreements that had expired, with those being applicable in respect of existing and not newly recruited employees. Even in the case of company agreements with unions, problems were reported in respect of differentiation in the application of the terms of the agreements. For instance, a company agreement in the hotel sector provided that the wage provisions agreed would not apply in the case of seasonal workers who were not trade union members or who would be recruited by the employer at a later date; in these cases, the wage levels and terms and conditions of employment would be set following an agreement with the employer within the context of the relevant legislative provisions.²²⁴ Such agreements were considered particularly detrimental for the social legitimacy of trade unions.²²⁵ Aside from evidence of increasing wage inequalities, significant delays in the payment of wages were reported.²²⁶ In the 2010–2013 period, around 850,000 employees (predominantly in services and very small companies) were unpaid for periods up to 12 months (INE-GSEE 2013). In one of the case studies in the metal sector, employees had experienced a number of incidences of non-payment of wages, reaching up to nine months.²²⁷

6.2. Labour market performance and productivity

Labour market performance

The orthodox view underpinning structural labour market reforms anticipates job creation and a realignment of wage levels with labour productivity. In 2008, before the economic crisis impacted on the labour market, the two most important sectors of employment in Greece were wholesale and retail trade, accounting for almost one in five people employed, and manufacturing, with around 12% (figure 6.1). Compared with the EU-28 average it is notable that Greece still had a sizeable share of employment in agriculture – around one in ten workers compared to one in 20 across the EU. At this time, non-tradable sectors accounted for a higher share of employment than tradable ones. The relative importance of the various sectors did not change dramatically in the years up to 2008, although the decline in manufacturing and agriculture continued, whereas the relative shares of construction, public administration and education expanded (for a more in-depth analysis, see Theodoropoulou 2016). The sector that experienced the most pronounced employment growth was real estate, renting and business activities, where employment expanded between the first quarter of 2001 and the first quarter of 2008 (by 51.5 per cent). Other than that, the sectors that registered relatively the largest employment expansions were construction and the broadly defined public sector (public administration, health and social work, other community, social and personal services, public utilities and education), all increasing by between 20 and

²²⁴ At the same time, the agreement stipulated a policy of no compulsory redundancies (<http://www.ypakp.gr/uploads/docs/9462.pdf>)

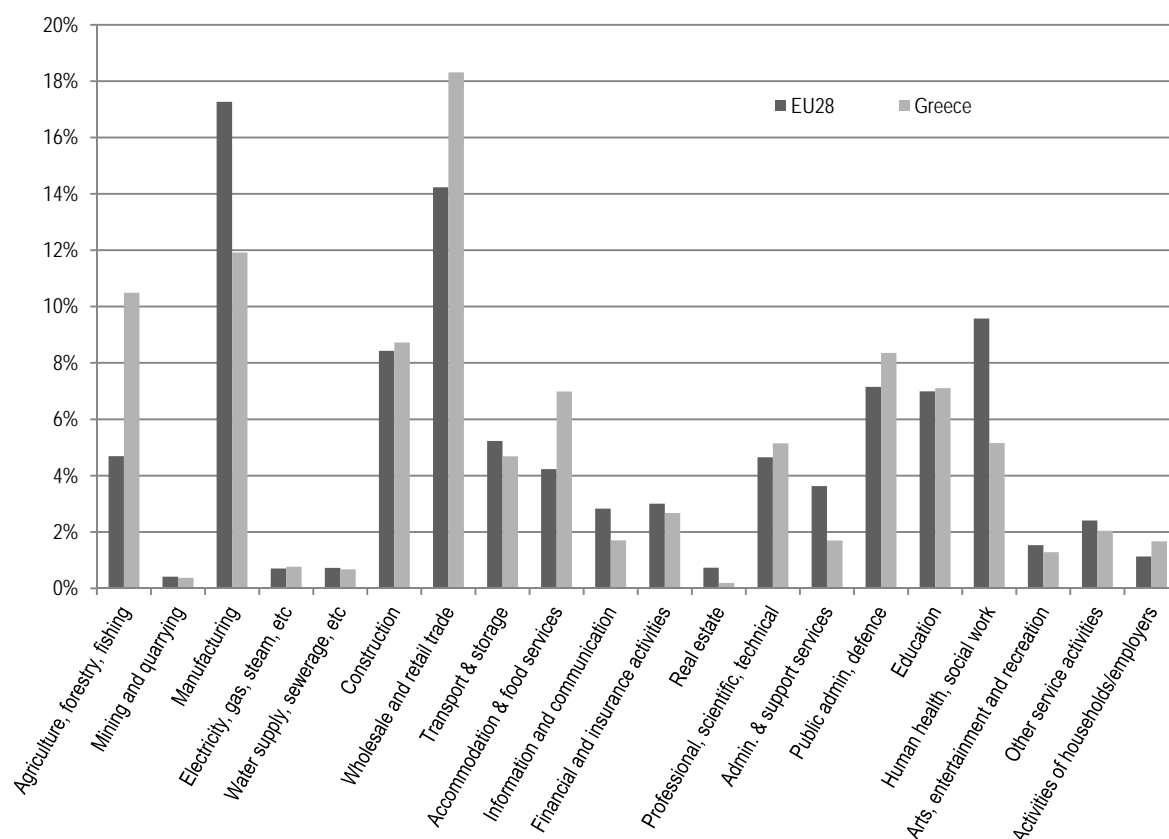
²²⁵ POEE-YTE, interview notes.

²²⁶ GSEVEE and GSEE interview notes.

²²⁷ LargeMetalCo union, interview notes.

28 per cent. In effect, therefore, 2001–2008 employment growth took place predominantly in the non-tradable sectors (Theodoropoulou 2016).

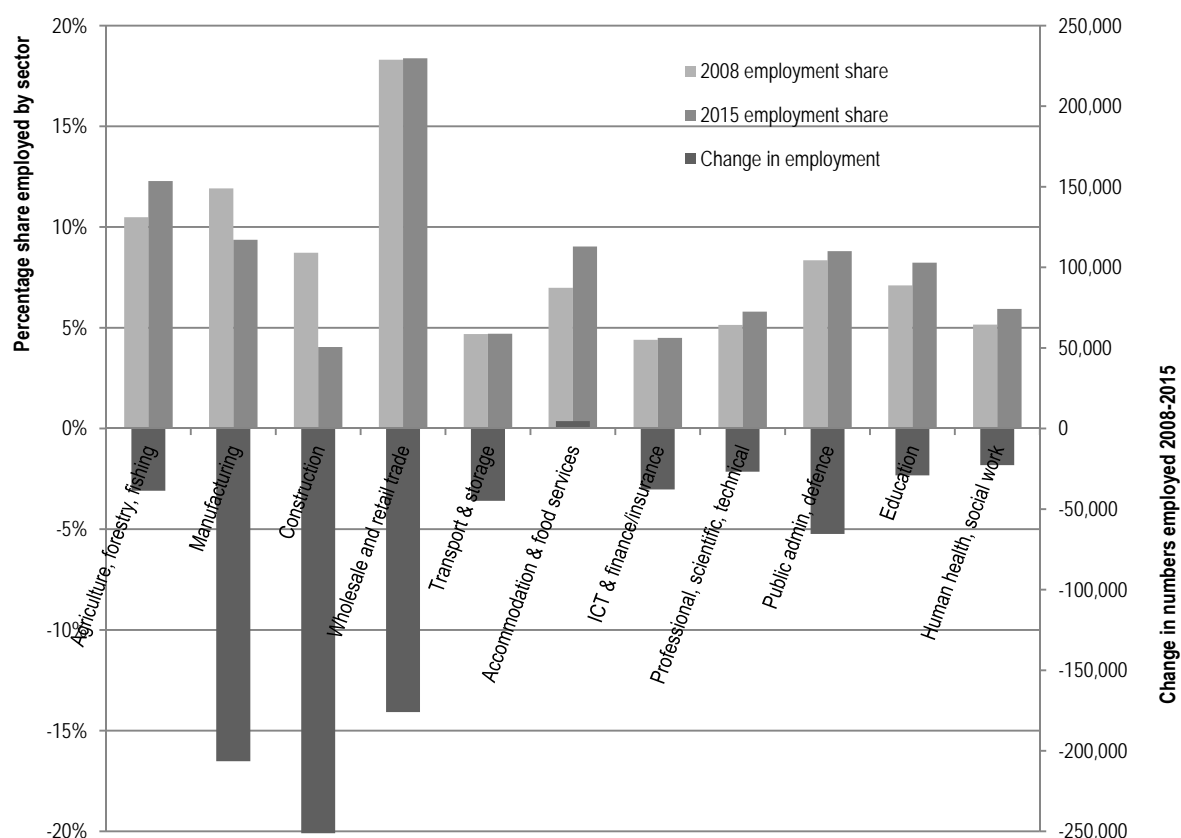
Figure 6.1 Percentage distribution of all employment by sector, 2008



Source: Eurostat; authors' original figure.

Since 2008 the crisis has caused substantial job losses in all parts of the economy with the single exception (among the largest sectors) of accommodation and food services (figure 6.2). Overall, almost 1 million people have lost employment, a reduction from 4.52 million to 3.55 million during 2008-2015, an unprecedented reduction of 22%. Greece's employment rate (the share of working-age population in employment) fell from 61.4% to 50.8%. The largest downsizing occurred in construction (251,000 persons), manufacturing (207,000) and wholesale and retail (176,000). These are substantial losses in the context of a total workforce of 4.5 million in 2008 and 3.5 million in 2015. The unbalanced distribution of job losses means that in 2015 Greece has far smaller shares of employment in construction and to a lesser extent in manufacturing, but higher shares in accommodation and food services, agriculture and the public sector.

Figure 6.2 Change in employment shares and numbers employed by sector, 2008-2015

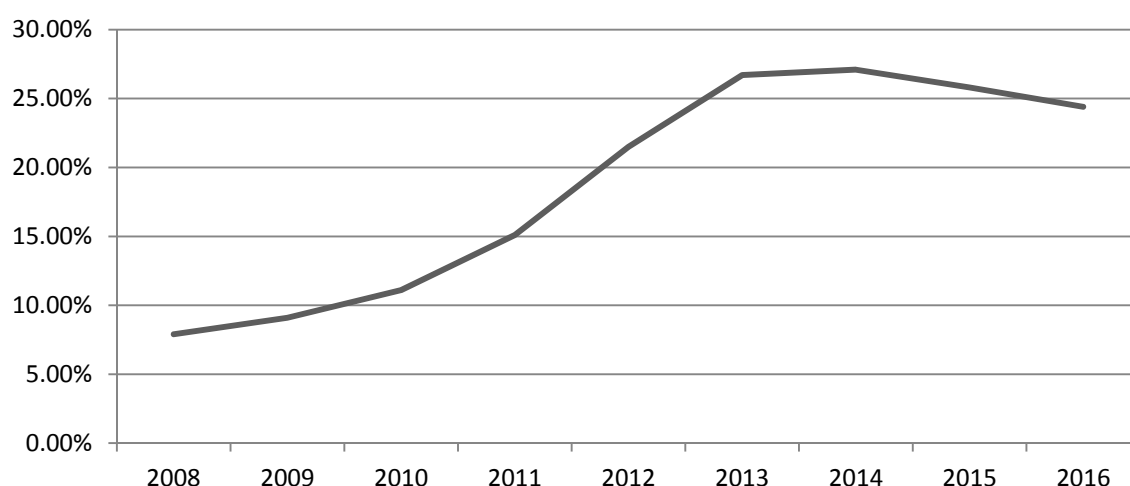


Source: Eurostat; authors' original figure.

There is no evidence to date to support the view that the structural labour market reforms are delivering a job-rich recovery, quite the reverse. Several sectoral and company-level actors interviewed for this research questioned the effectiveness of the 'structural labour market reforms' in reducing unemployment levels.²²⁸ Unemployment levels increased rapidly from 7.9% in the first trimester of 2008 to 27.1% in 2014. The unemployment rate then reduced slightly in 2015 and 2016, to 25.8% and 24.4% respectively (although the rate in the first trimester of 2016 was higher than that of the third trimester of 2015) (figure 6.3). Crucially, the number of unemployed persons increased from 391,000 at the start of 2008 to 1,305,000 in 2014, an increase of 1,000,000, mirroring the scale of downsizing of employment reported above. The rate of reduction of unemployment, which started in the third trimester of 2014 and continued until 2015 remained stable at around 5.6% per year and seems to reflect the minor improvement in the macro-economic conditions of the economy but also masks the significant increases in atypical forms of employment (see section 6.3).

²²⁸ ESEE, GSEVEE, POX interview notes.

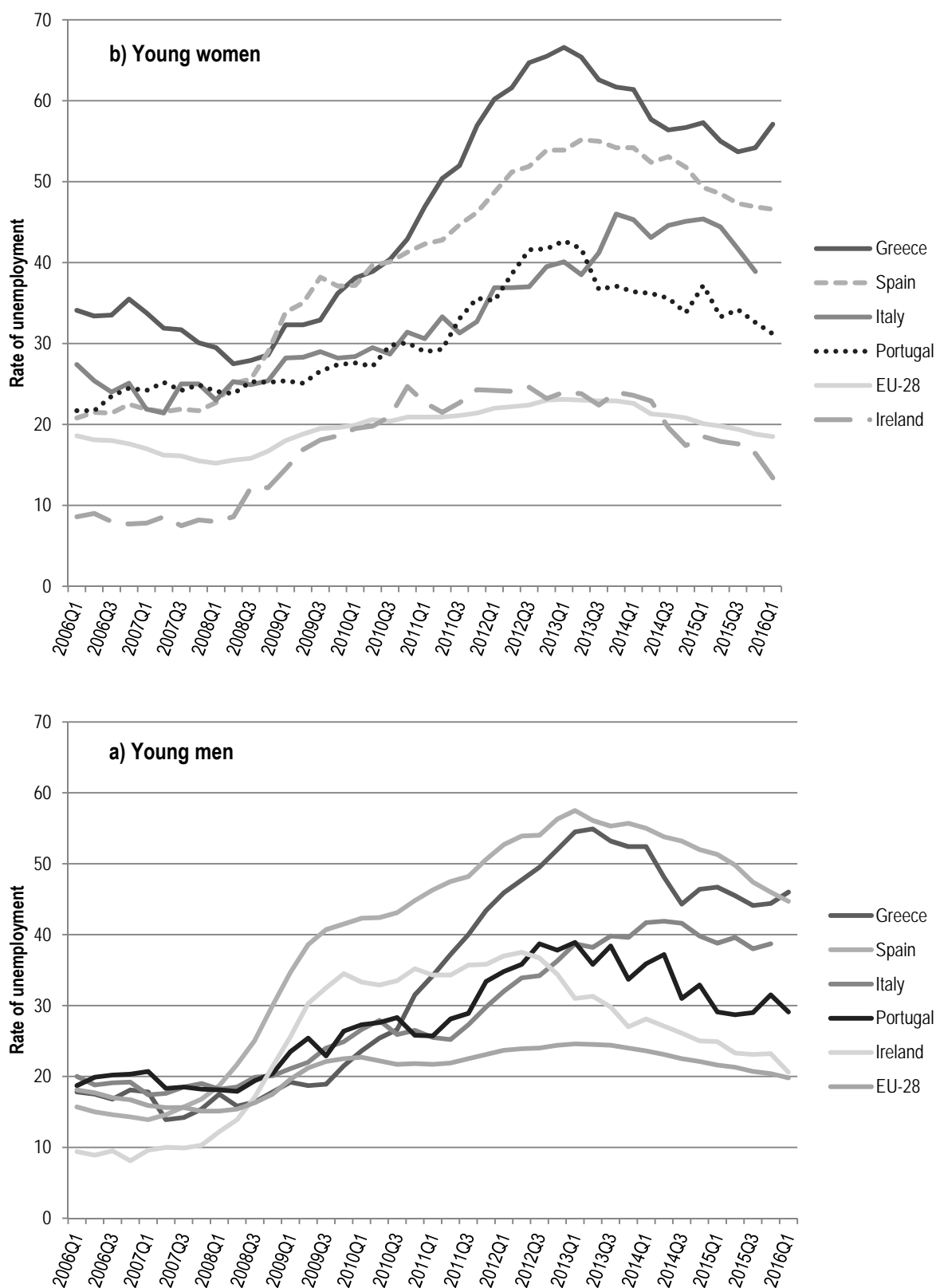
Figure 6.3 Unemployment levels (seasonally adjusted)



Source: Elstat; authors' original compilation.

For both men and women, young people face more than double the risk of unemployment compared to older groups. The highest unemployment rate in 2016 was reported for young women aged 15-24 years old, a staggering 55%. Indeed, young women in Greece have been more adversely affected by the crisis than in other southern European countries (figure 6.4). The speed and duration of deterioration in young women's risk of unemployment in Greece during the period 2010-2013 was quite unlike any other country. For young men also, the only other comparable country is Spain. However, while Spain appears to have instituted a stable downward trend among both men and women since 2013, this is not the case in Greece where a worrying upward trend is registered for the first quarter of 2016.

Figure 6.4. Youth unemployment in Greece and comparator countries by sex, 2006-2016



Source: Eurostat, youth aged less than 25 years old; authors' original compilation.

Our company-level research findings suggests that in the case of young workers, i.e. below 25 years old, the reduction in the wage levels allowed employers to recruit more workers of this category and in some cases (e.g. MediumHotel1Co) to retain them and increase their wages on the basis of their performance. The new lower NMW levels for young workers resulted reportedly in the reduction also of ‘pseudo-apprentice’ schemes that were operating in a number of hotels both in the pre-crisis and during the crisis periods and led to the recruitment of more Greek workers (e.g. MediumHotel1Co).²²⁹ Considerable use of lower NMW rates was also reported in the manufacturing sector (MediumMetalCo and LargeFood&DrinkCo). Aside from using the NMW levels for determining the wage levels for new workers, rather than collective bargained wage rates, management in these cases also refused to provide other allowances, such as seniority pay, thereby increasing significantly the wage gap between newly recruited and incumbent employees. Whilst service sector companies also introduced lower NMW for young workers, the effectiveness of such practices was questioned by our management interviewees in retail (MediumRetailCo), restaurants (LargeRestaurantsCo) and the other service sectors (LargeOtherServices2). All emphasised the adverse impact of high labour turnover and lack of experience of young workers on productivity levels, as well as the clash with the companies’ meritocratic culture as reasons for limiting the use of these provisions.

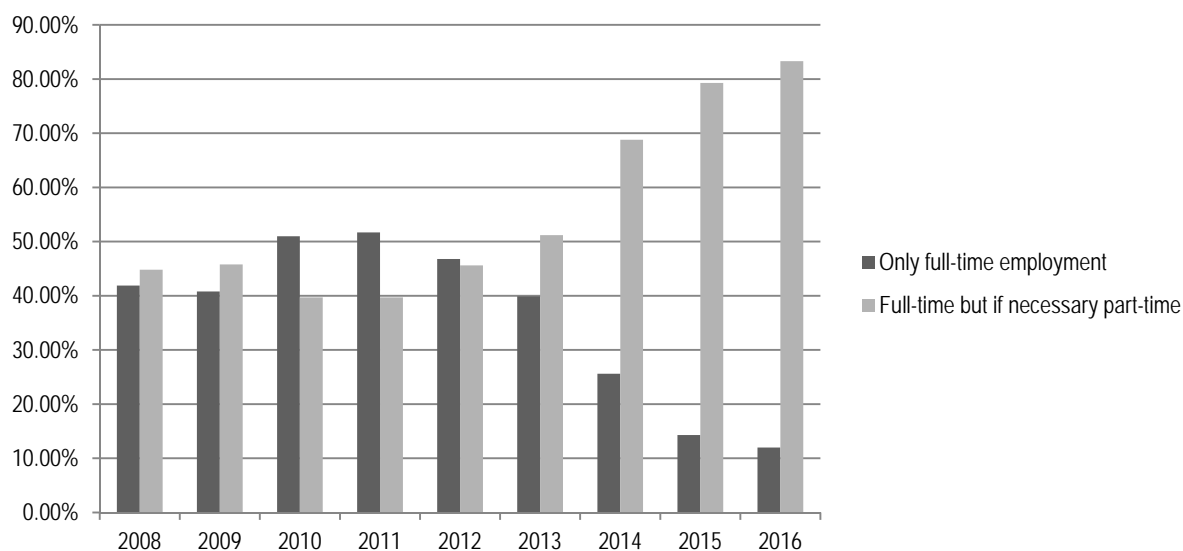
Long-term unemployment continues to be one of the most concerning issues in the Greek labour market. The share of the long-term unemployed in total unemployment has traditionally been high in Greece, but it increased even more during the crisis, namely from 47,1% in 2008 to 67,1% in 2013 and to 73,5% in 2014. The increase in unemployment affected some groups of the labour force and some economic sectors more than others. This in conjunction with the large increase in the share of long-term unemployed in the total suggest that the increases in the unemployment rate originally due to the negative output shock have probably become structural. What this means is that a recovery alone is unlikely to prove sufficient to restore unemployment rates to their pre-crisis levels and that, unless effective activation policies are put into place, the potential of the Greek economy to attain output growth will remain curtailed for a long time (Theodoropoulou 2016: 32).

In this context, changes in the preferences of unemployed persons looking for employment are revealing. In 2008, an even distribution existed between those that were looking only for full-time employment and those looking for full-time but willing to accept, if necessary, part-time. However, by 2016, the rate of those seeking full-time but willing to accept part-time, if necessary, was much higher and stood at more than 80% (in comparison to just 12% seeking only full-time employment) (figure 6.5).²³⁰

²²⁹ POEE-YTE, interview notes.

²³⁰ See also section 6.3 concerning the changes in atypical forms of employment.

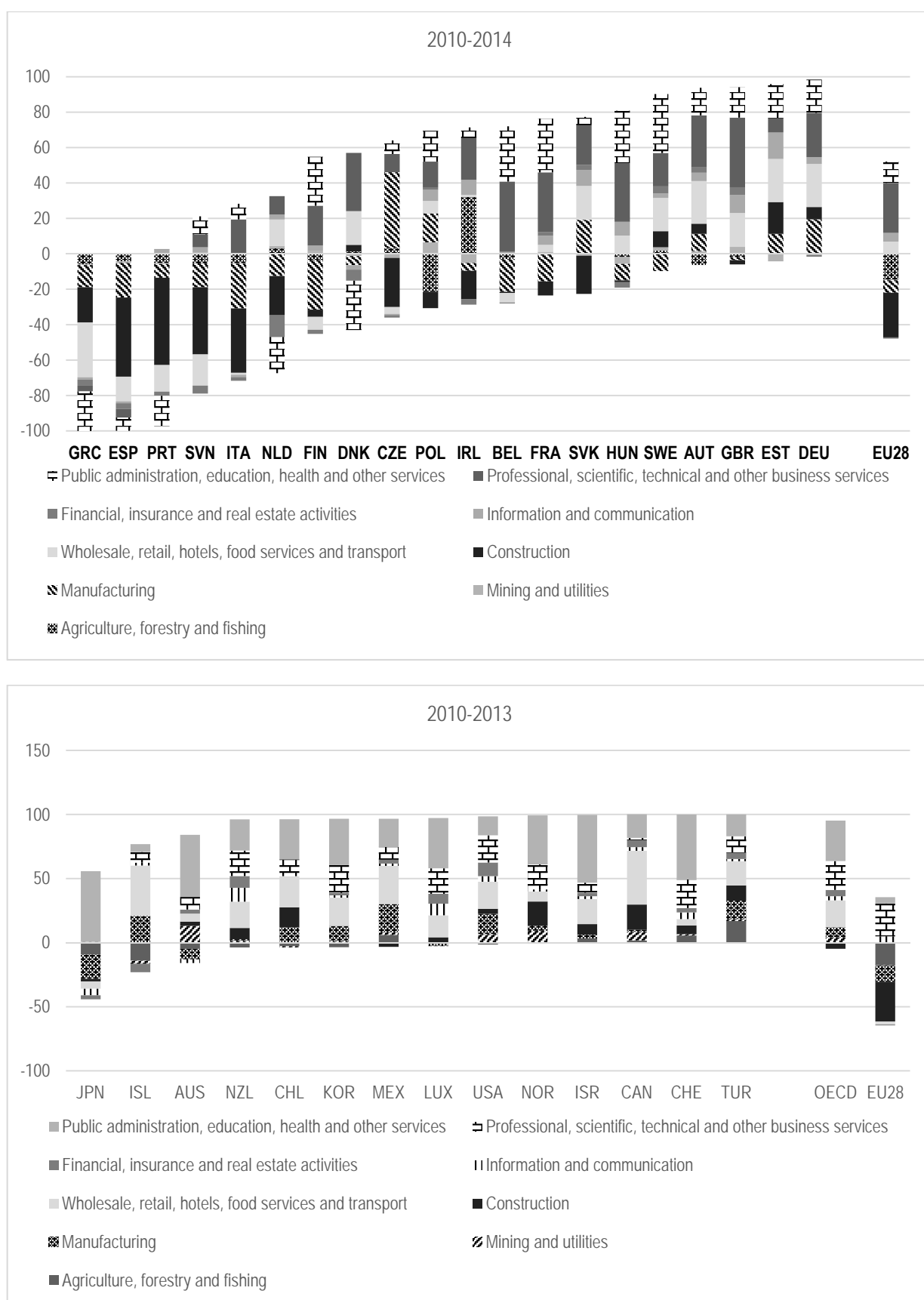
Figure 6.5 Unemployed persons' preferences when looking for work



Source: Elstat; authors' original compilation.

From a comparative perspective, in the post crisis period between 2010 and 2014, there was significant variation across EU member states in the net total job gains and losses. Germany and the United Kingdom experienced net gains of around 1.6 million and 1 million jobs respectively, while Greece, Italy, Portugal and Spain suffered a collective net loss of 3 million jobs. The construction sector and, to a lesser extent, manufacturing, account for the bulk of job losses in these countries during this period (figure 6.6).

Figure 6.6 Where people lost and gained jobs, 2010-14 and 2010-13 (%)



Source: OECD.

Data on employment levels illustrates further the dynamics of job growth in the economy. We observe below (table 6.4) that the rate of employment in the secondary sector was almost halved between 2008 and 2016. Significant losses were also experienced in the primary and tertiary sectors, with the latter experiencing losses of around 400,000 jobs.

Table 6.4 Aggregate employment levels per economic sectors (in thousands)

Sectors of economic activity	1st trimester 2008	1st trimester 2009	1st trimester 2010	1st trimester 2011	1st trimester 2012	1st trimester 2013	1st trimester 2014	1st trimester 2015	1st trimester 2016
Total number of employed	4,567.2	4,545.6	4,446.0	4,165.5	3,785.0	3,504.2	3,483.7	3,504.4	3,606.3
Primary sector	516.1	517.7	557.7	512.9	480.8	475.4	479.6	476.3	445.3
Secondary sector	1,028.8	979.6	894.9	760.4	641.1	558.3	527.0	527.8	548.6
Tertiary sector	3,022.3	3,048.3	2,993.5	2,892.2	2,663.1	2,470.4	2,477.1	2,500.3	2,612.4

Source: Elstat, authors' original compilation.

There were indications that – at least in some sectors – companies held back from shedding labour in response to the crisis between 2008 and 2011, although this has not been the case since 2011 (Theodoropoulou 2016). Evidence from our company case studies suggest that a number of companies were driven by a ‘negative’ curative strategy and pay cuts were not a matter of trade-offs and as such were not accompanied by deals to enhance workers’ employability or the workability of jobs. Company case study evidence shows that agreeing to wage reductions was not always sufficient to prevent job losses. Of the company case studies in manufacturing, six, mostly small companies, proceeded to wage reductions (albeit in some cases whilst still providing undeclared payments) but also dismissed a number of employees. This pattern was replicated in the company case studies in the service sector, where dismissals took place in the company case studies in the restaurants sector (LargeRestaurantsCo and MediumRestaurantsCo) as well as in some of the other services case studies (LargeOtherServices1Co and LargeRetail&OtherServicesCo). The data is consistent with evidence from Eurofound’s 3rd European Company Survey, which found that decreases in employment were reported in more than 40% of establishments in Greece (Eurofound, 2015b). The changes in the collective bargaining system undermined in effect the possibilities of concerted bipartite action at both higher and company levels to help soften the impact of the economic adjustment programmes.

There were nevertheless some cases of workforce expansion. One of these was LargeRetailCo, which significant expanded its workforce during the crisis (12,5 % workforce increase in 2015 and 3,1% increase in 2016). In LargeOtherServices1Co, no significant fluctuations in the size of the workforce were reported during the crisis, with the exception of 25 voluntary redundancies as a result of the loss of a business contract. But a number of temporary agency workers became directly employed, following agreements with the trade union. Significant increases in workforce numbers were reported in

LargeOtherServices2Co, where the workforce size doubled since the start of the crisis (i.e. from 1,000 to 2,000 employers). However, the workforce expansion in LargeOtherServices2Co was not attributed to the labour market measures but to the crisis that affected the companies in the sectors where the company provided labour outsourcing services (e.g. banking, telecommunications, insurance firms and pharmaceuticals).²³¹

Some evidence of trade-offs was provided in cases where company bargaining took place with trade unions. But even in these cases, it seemed that the short-term perspective of trading labour cost savings with job security/guarantees was perhaps the main feature of these cases of reaction to the crisis. In a similar vein, a survey by Adecco Greece found that the feeling of security and stability constituted the most important parameter desired from work for 32% of the participants while only 4% stated that pay was an important parameter (quoted in Eurofound 2013). However, there was only limited attention in balancing the wage reductions with investment in measures to reach longer-term goals of quality of work and employability. In MediumRestaurantsCo, wage and allowances' reductions were agreed on the proviso that a no compulsory redundancies policy would be followed by management (unless the company would not be successful in tendering). But the policy was limited only to trade union members and did not cover any non-union employees.²³² Other trade-offs, such as including the conversion of fixed-term seasonal contracts to permanent ones in exchange for a reduction of trade union representatives' time-off and the maternity leave period were available.²³³ In LargeOtherServices1Co, following the lack of agreement between management and the union on a collective redundancies plan (in light of the loss of a business contract), a programme of 25 voluntary redundancies took place in 2014. In LargeFood&DrinksCo, management entered into consultations with the union over its intention to close down one of the sites due to a reduction in consumer demand. During the consultations, employee representatives from the three site unions successfully requested the conclusion of a framework agreement. The agreement included financial incentives for those employees (40% of employees affected by the plans) willing to be included in the schemes of voluntary redundancy or early retirement. 30% of those employees affected by the closure were relocated to the other sites of the company and the rest 30% were retrained and filled up posts in the same site.

Labour market productivity

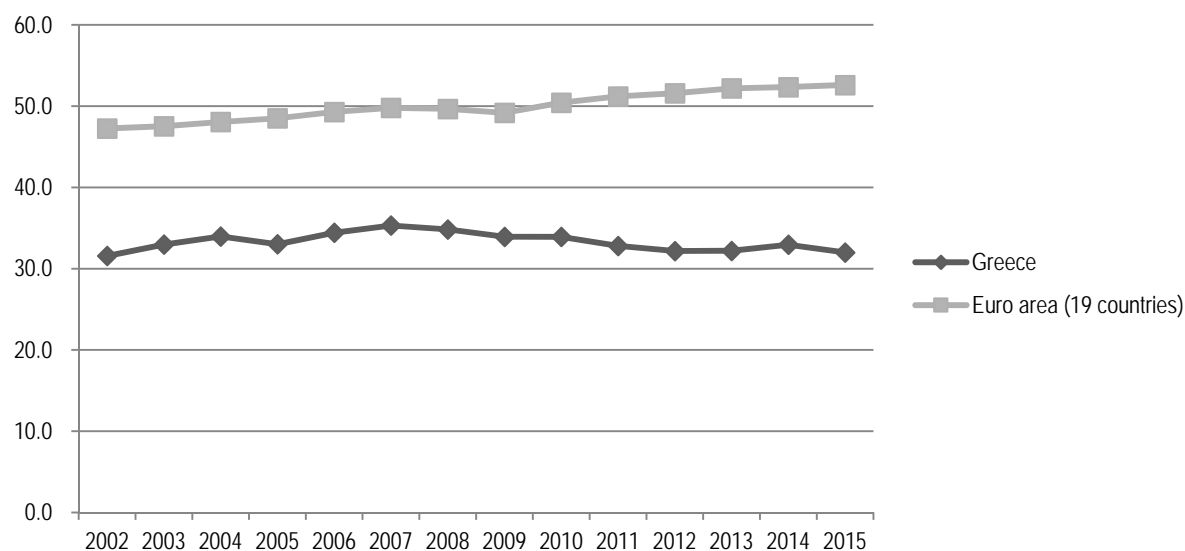
When examining the relationship between the structural labour market reforms and labour market productivity, there is no observable evidence to suggest that the changes have had any impact on productivity. At the aggregate level, labour market productivity fell in Greece (figure 6.7) in contrast to the rest of the euro area, where it has been on an upward trend. It was negative between 2008 and 2011 principally as a result of output falling faster than employment during the first wave of the crisis. It then turned positive in 2012, remained stable in 2013 and slightly increased in 2014, but only because GDP recovered while employment losses continued and even accelerated. It then fell again in 2015.

²³¹ Management, interview notes.

²³² MediumRestaurantsCo, management interview notes.

²³³ MediumRestaurantsCo, management interview notes.

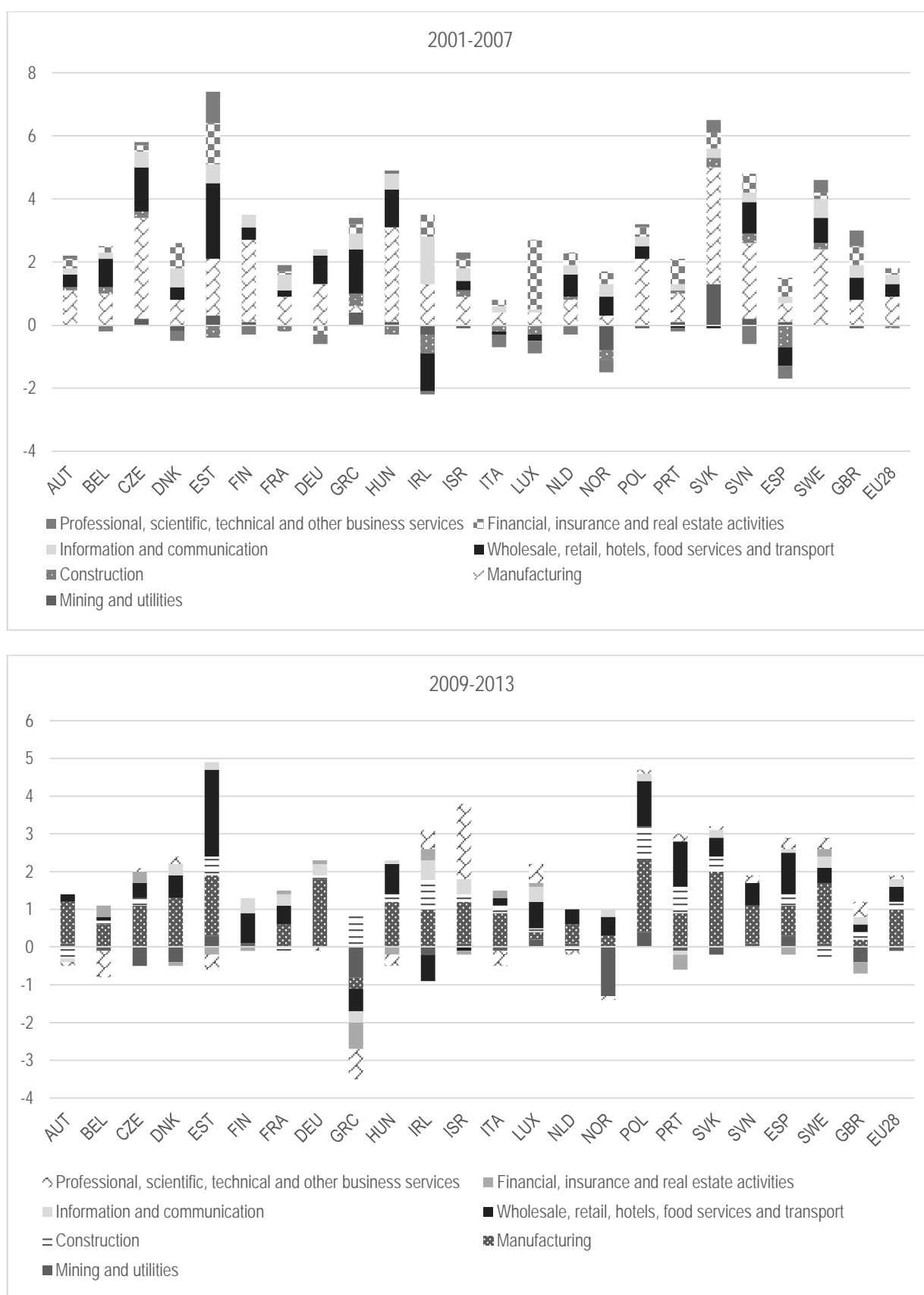
Figure 6.7 Labour market productivity (2002-2015)



Source: OECD, authors' original compilation.

From a sectoral perspective, services accounted for a significant part of the total productivity losses between 2009 and 2013, while mining and utilities and the construction sector contributed considerably (figure 6.8). In terms of the factors underlying recent productivity trends, there were significant differences between sectors, especially among some of the dominant sectors in the pre-crisis period. For instance, the productivity gains in construction in recent years were simply due to the fact that employment fell faster than gross value added (ILO 2014).

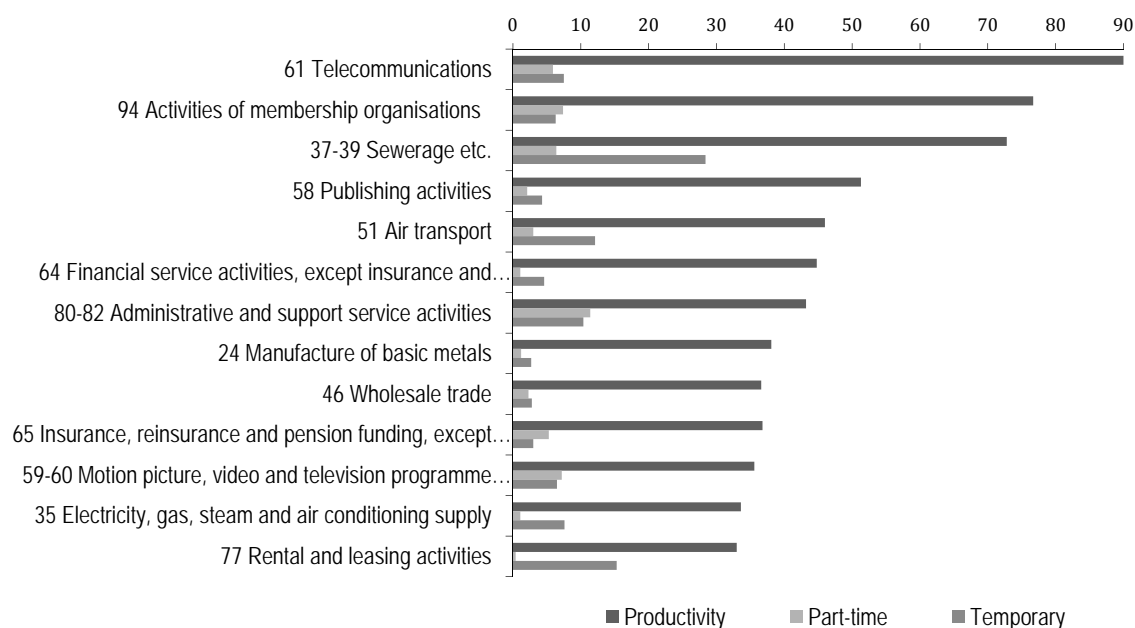
Figure 6.8 Decomposition of labour productivity growth by industry, 2001-07 and 2009-13 (percentage points)



Source: OECD.

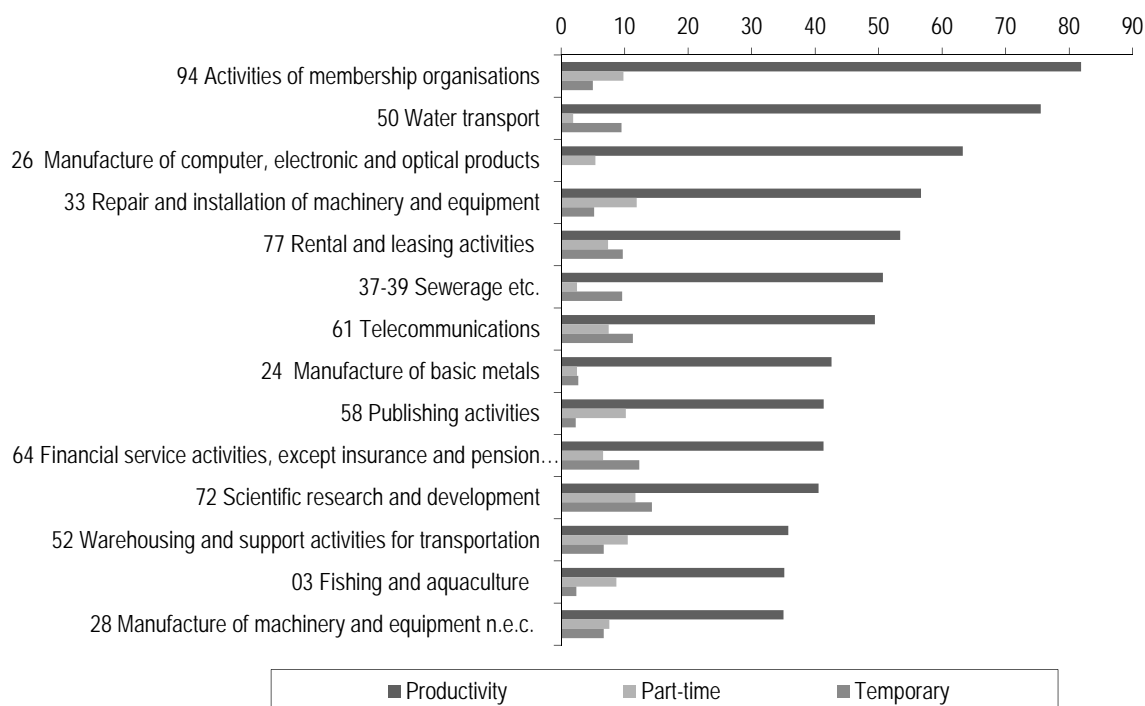
Research conducted by INE-GSEE (2016) further illustrates a negative correlation between increases in atypical forms of work and labour market productivity. In the period 2008-2014, part-time employment increased by 28,4% and stood at 9,5% total employment. In the same period, fixed-term work reduced by 24% and stood at 7.5% of total employment (see below section 6.3 for an analysis of the trends in working conditions and atypical works). Figures 6.9 and 6.10 illustrate the relationship between productivity and part-time and temporary employment in sectors characterised by high productivity in 2008 and 2014. With some exceptions (e.g. other administrative and service support activities), the sectors with high productivity are characterised by either the absence or low levels of part-time and temporary employment (INE GSEE 2016).

Figure 6.9 High productivity sectors - 2008



Source: Elstat, analysis by INE GSEE (2016).

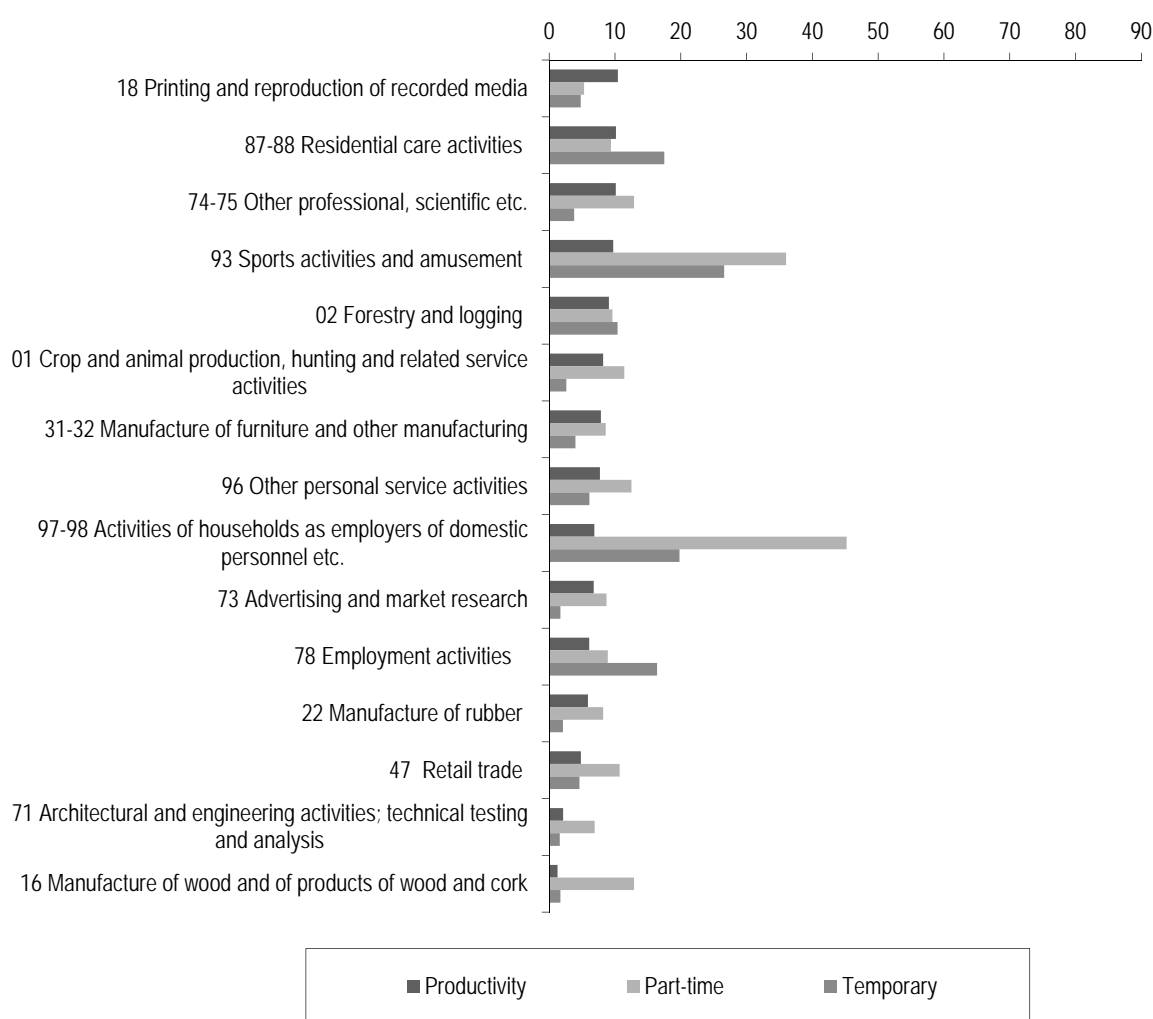
Figure 6.10 High productivity sectors - 2014



Source: Elstat, analysis by INE GSEE (2016).

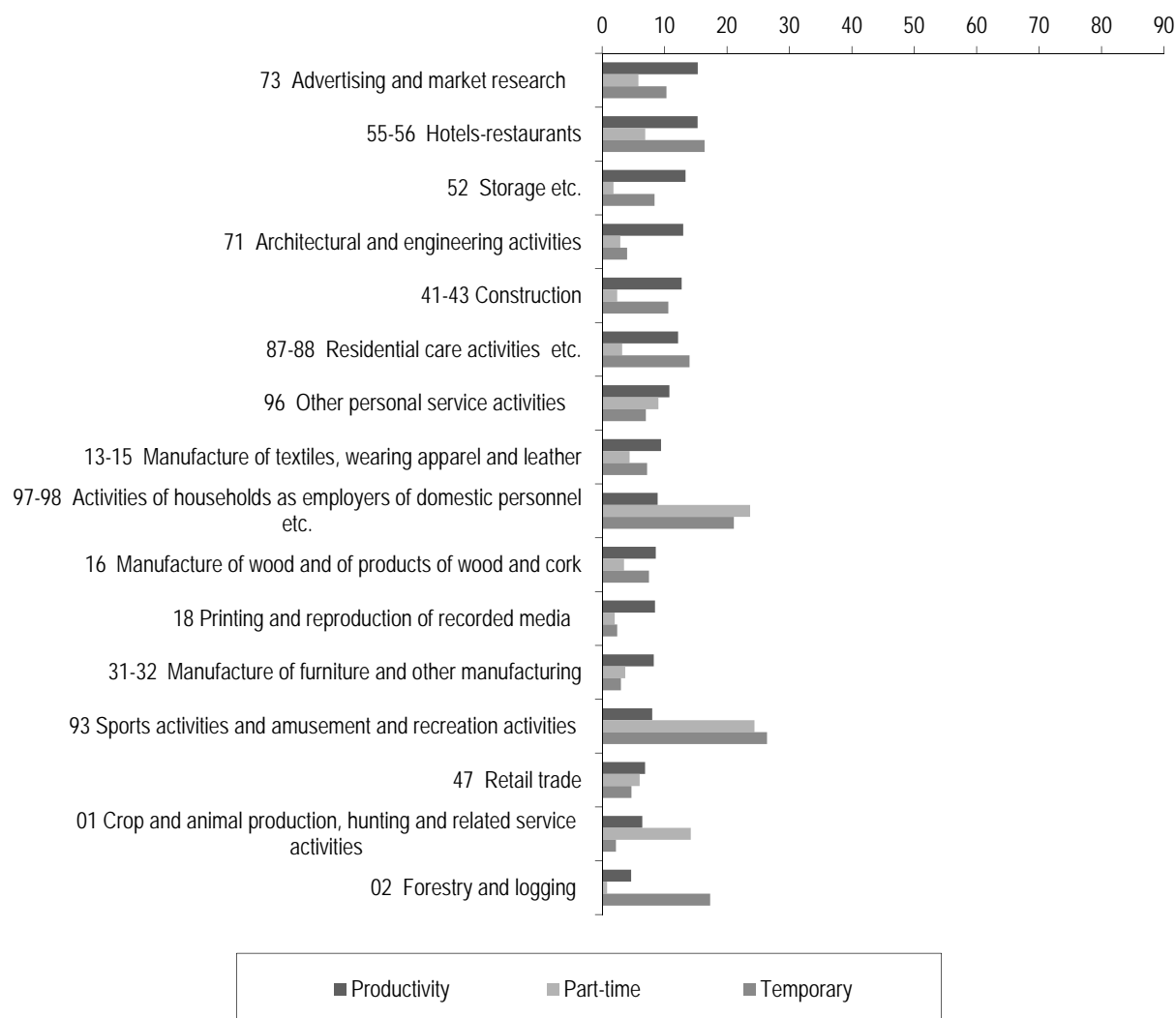
Data on the relationship between productivity and part-time and temporary work in sectors characterised by low productivity suggests that these sectors made significant use of atypical forms of work (figures 6.11 and 6.12). 11 out of 15 sectors were characterised by low productivity in both years, including sectors with significant employment rates such as agriculture, retail trade, construction and hotel and catering, albeit there was an increase in productivity levels of the last two sectors, i.e. construction and hotel and catering, in 2014 (INE-GSEE 2016).

Figure 6.11. Low productivity sectors – 2008



Source: Elstat, analysis by INE GSEE 2016.

Figure 6.12. Low productivity – 2014



Source: Elstat, analysis by INE GSEE (2016).

Research by Dustmann et al. (2014) emphasizes the importance of trust in wage-setting institutions and other aspects of employment decisions in driving productivity improvements. More recent research also suggests that laws supporting worker voice within the enterprise and underpinning collective bargaining at both firm and industry level induce employment and productivity gains through their impact on worker motivation and commitment (Deakin et al 2014). When looking at the case of Greece, there is evidence to suggest that the reforms have mitigated significantly the extent to which productivity gains could take place via collective bargaining and social dialogue. Firstly, the average scores of the workplace well-being and establishment performance indices for Greece were among the least favourable in Europe in the recent years (Eurofound 2015b). The 2015 ECS survey found that Greece and Spain were among the three countries (together with Slovenia) in which more than 20% of managers reported deterioration in the work climate. It was also reported that in terms of changes in the financial situation, labour productivity and production volume, establishments in Greece were consistently among the ones most likely to report deterioration.

Further, establishments with employee representation structures belonged to the two ‘conflictual’ social dialogue establishment types (‘extensive and conflictual’ and ‘limited and conflictual’) (Eurofound 2015b). In a comparative perspective, the frequency of ‘limited and conflictual’ was most prevalent in Portugal, Ireland, Spain, Malta and Greece. Our company case studies provided further corroboration of these developments. For smaller companies, there was a risk that taking on more of the work in the area of bargaining, moving away from compliance with higher-level agreements and actually bargaining directly with the workforce could upset employment relations. The GSEVEE interviewee noted:

‘In order to form an association of persons, you need at least 5 people. But in small companies, the average number of employees is 2,1-2,2. This means that you have to enter into individual negotiations. And then all depends on how you [the employer] see the employee: do you see him as a colleague or do you see him as someone that takes your money?’²³⁴

This would contribute to an even greater level of fragmentation within regulatory processes, and promote, within smaller to medium sized companies, greater reliance on external organisations such as consultancies, hampering even further the relationship of such companies with their employers’ associations. Evidence suggested that even in cases of larger companies (e.g. MediumRestaurantsCo, LargeFood&DrinksCo, LargeOtherServices1Co and LargeRetail&OtherServicesCo, LargeRetailCo), there was a risk of growing politicisation and change, especially the undermining of unions with a proclivity towards social dialogue and ‘realistic’ bargaining. On the management side, there were concerns about the knock-on effect of such measures on industrial peace and cooperation with the unions, where these were organised effectively. The argument was clear: decentralisation could politicise labour relations further and create a new era of instability which the last twenty years had to some extent overcome (see also, Koukiadaki et al. 2016a).

6.3. Pay equity, working time and atypical work

Aggregate pay equity effects: relative and absolute measures

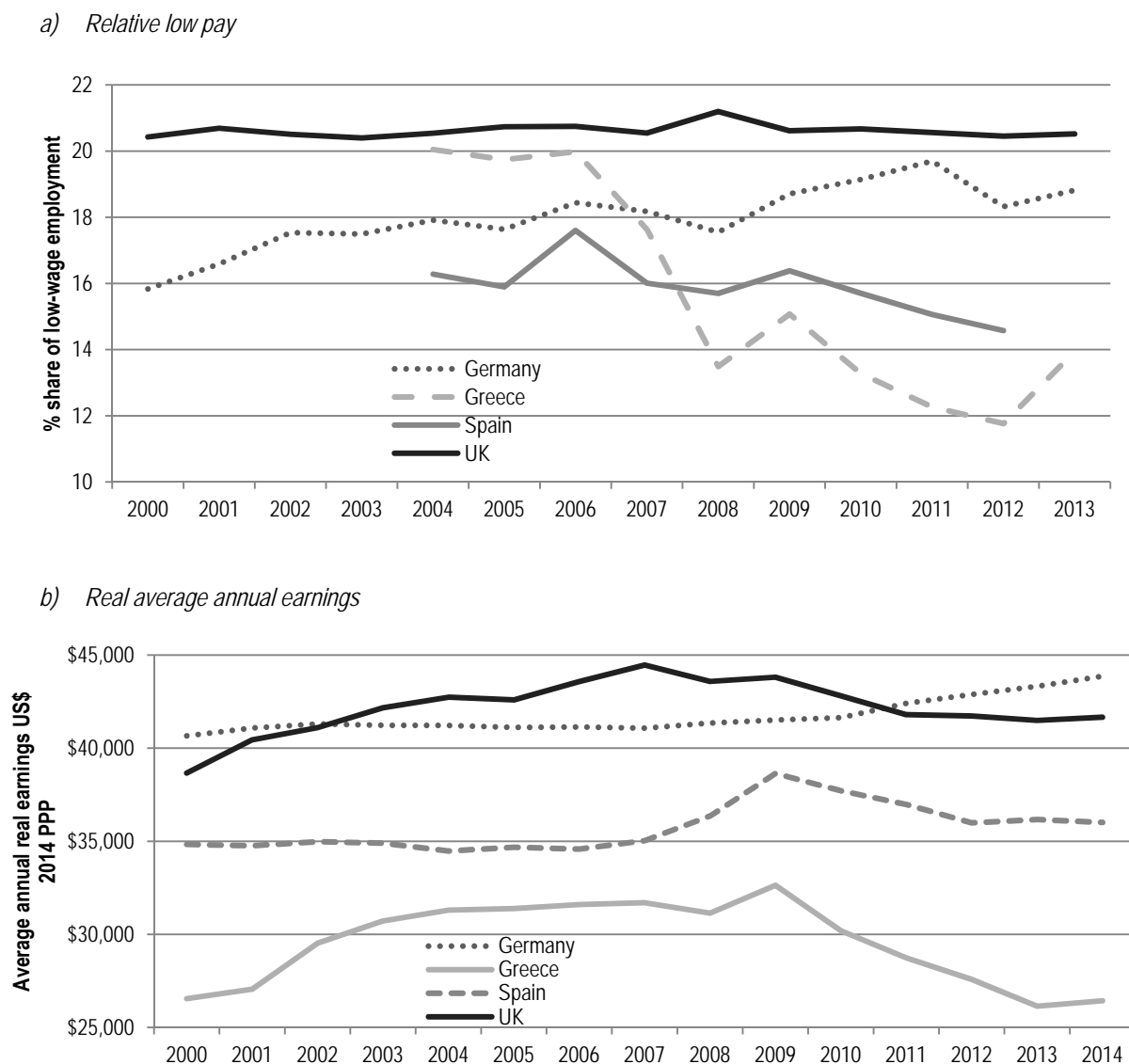
Given the state-of-the-art research evidence (see chapter 3), the various reforms to Greece’s national model of wage determination can be expected to have caused an identifiable change in its wage structure. Decentralisation of collective bargaining, diminished coverage of joint regulation and a cut in the statutory wage floor can be expected to cause a rise in wage inequality, a rise in the share of workers in low-wage employment and a widening of the gender pay gap. At the same time, we also need to account for the consequences of the massive and prolonged economic depression – a 26% drop in GDP between 2007 and 2013 (peak to trough) with only a 0.4% rise during 2013-15, and a fall in average real earnings of 19% (peak to trough, 2009-2014). The question is how to account for pay equity effects when it appears the entire real wage structure has reduced so significantly?

If we look at the share of workers in low-wage employment, the conventional indicator for ‘relative low pay’ (defined as the share earning less than two thirds of median full-time earnings) shows in fact a steep decline in Greece during the crisis, hand in hand with the fall in real earnings (figure 6.13a and b). A similar, less extreme pattern, is evident in Spain. It would appear in both countries falling wages in the middle of the distribution have compressed wages in the bottom half so that fewer workers are low paid in relative terms (from 20% to 14% of the Greek workforce). Moreover, during the 2007-2011 period, Greece’s minimum wage continued to increase against the median wage and in real terms creating a double-sided squeeze in the bottom half of the wage distribution. The data for 2013 show a sharp rise in

²³⁴ GSEVEE, interview notes.

the share of low-wage employment coinciding with the cut in the minimum wage; it is likely forthcoming data will show a continued sharp upward rise.

Figure 6.13 Indicators of 'relative low pay' and real average earnings

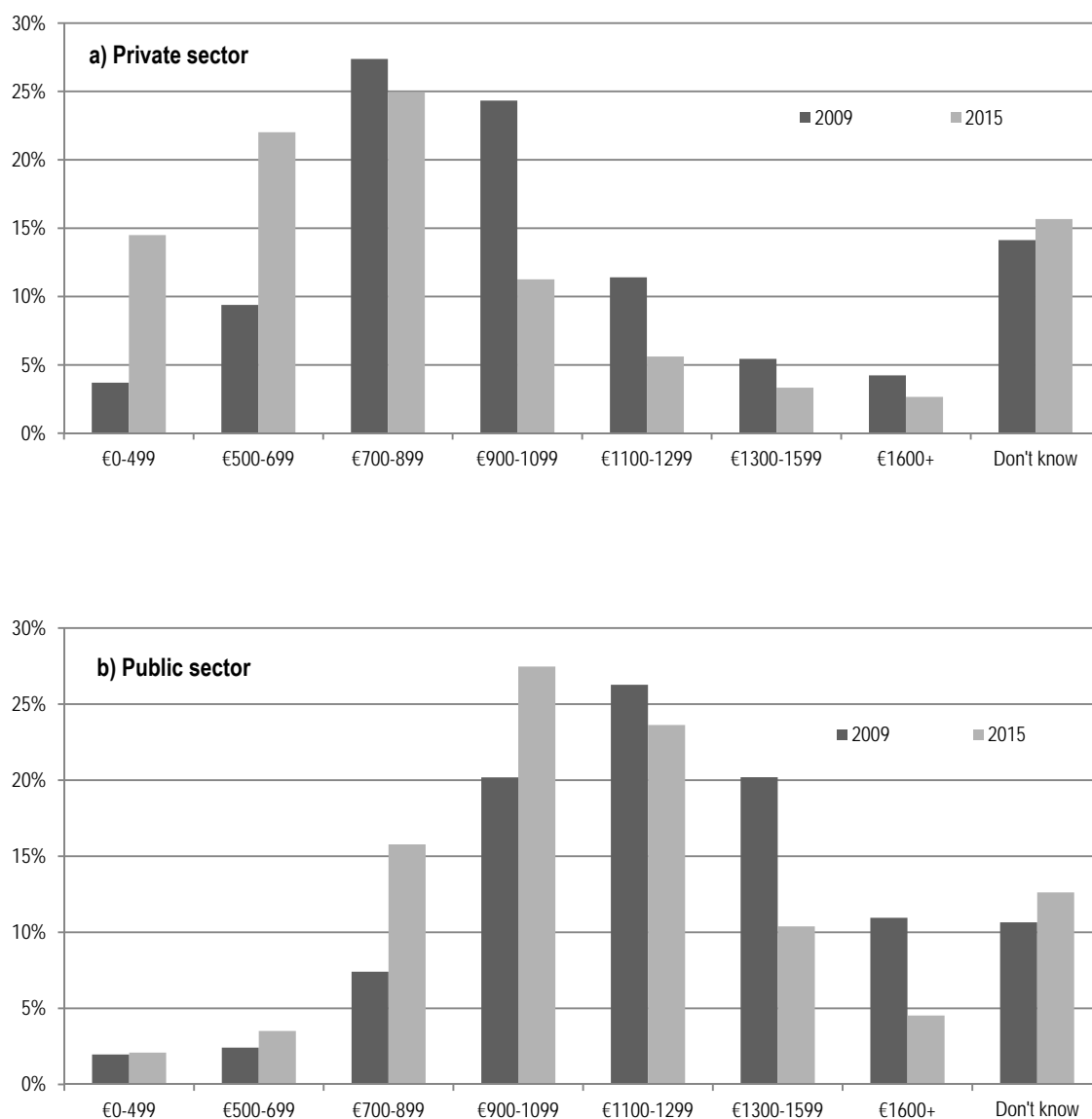


Source: OECD earnings data -Wage levels (indicator), doi: 10.1787/0a1c27bc-en (Accessed on 28 June 2016); authors' original figure.

More detailed earnings distribution data for the public and private sectors give a clearer impression of composition shifts at different points of the wage distribution. In both sectors, the composition of employment has shifted leftwards into lower paid employment in absolute terms. In 2009 most private sector workers (52%) clustered in jobs paying €700-1099 per month (net) and a clear majority of public sector workers in the bands from €900-1599. However, six years on we find a marked shift to the left: private sector workers have been shunted into jobs paying less than €900, an increase from 40% to 62%; and public sector workers are now far more likely to earn a net monthly pay less than €1,100 –from 32% to 49%. Of most concern is what has happened at the very bottom of the wage distribution, where we see

a rise in very low paid jobs in the private sector up to 15% of private sector workers earnings less than €500 per month net (figure 6.15).

Figure 6.15 Change in net earnings distribution in the public and private sectors, 2009-2015



Note: net monthly earnings data, nominal.

Source: Greek Trade Union Institute data; authors' original compilation.

Working time

Evidence suggests that in the limited cases where sectoral agreements were renewed, the regulation of working time constituted an issue for negotiations. An example in this case was the 2013 national sectoral collective agreement in hotels, where negotiations on working time led to the repeal of a provision, which had been incorporated from a 1997 arbitration decision, allowing employees' working time to exceed the maximum daily and weekly working time limits by an hour per day (under no obligation to provide additional pay) over a period of 8 weeks. Further, under the 2013 agreement, the one-hour limit was extended to two hours in the case of employees working in a company applying the 5-day working week and which has more than 75% occupancy. Scope for providing employees with either daily rest and/or reduced working day was provided in exchange for working time flexibility. The provision constituted an issue-based clause designed to allow internal flexibility in respect of working time.

At regional sectoral level, collective agreements in the hotel sector also introduced provisions dealing with the provision of daily rest periods. The 2012 agreement in the Chania region abolished the provision, stipulated in previous agreements, which established the right to a continuous 2-day weekly rest period and provided instead that the 2-day weekly rest could be provided in a non-consecutive manner. The 2012 regional agreement for Rhodes allowed for scope for derogation in respect of working on the 6th and/or 7th day of the week on condition that additional remuneration is provided and that recourse to a 6- or 7-day working week is only be made because of increased workload and of the seasonal character of the organisations. However, challenges were reported by union interviewees regarding the implications of this derogation for employee burnout; these were reportedly acknowledged by employers as well.²³⁵

At company level, and similar to the process in other industrial relations systems (Schulten 2002), the parameters framing bargaining at company level shifted their orientation from productivity to competition with an increasing emphasis on more flexible working in an attempt to maintain competitiveness. In manufacturing, changes in working time practices were reported in some case studies, including, for instance, changing the start and end time of the evening shift, albeit in collaboration with worker representatives, and management abolishing demarcation rules so as to use employees in areas other than those of their expertise.²³⁶ Whilst overtime pay above the statutory rates was in some cases retained, there was a reduction in the quantity of overtime in a number of companies due to the economic downturn. Trade-offs were evident in the service sector when company-level bargaining with trade unions took place. For instance, in MediumRestaurantsCo, management and the union agreed to an increase in daily working time (from 7 hours 40 minutes to 8 hours) in exchange for further reductions in wage levels (trade union interview notes). Similarly, in LargeRetailCo, collective bargaining was used to increase weekly working time from 38 to 40 hours in exchange for further wage reductions (trade union, interview notes). Overall, the experience of working time regulation in MediumRestaurantsCo and LargeRetailCo confirms the scope available to the parties under collective bargaining to negotiate measures which provide a degree of protection to both parties by balancing the risks of uncertainty (see also Glassner et al. 2011).

Atypical forms of work

The crisis-related measures directed at liberalising employment protection legislation (including, among others, the introduction of a one-year probationary period and the reduction of dismissal costs) increased the risk for the erosion of the standard employment relationship. At the same time, the measures aiming at the bargaining system limited substantially the extent to which complementary regulatory mechanisms,

²³⁵ POEE-YTE, interview notes.

²³⁶ POEM, interview notes.

including importantly collective bargaining, could play a role in the mutualisation of the risks between employers and employees during the crisis (on this, see Adams and Deakin 2014). In effect, the changes in the patterns of atypical work and working conditions and the risk of increasing precariousness in the labour market correlated with the dismantlement of the framework for multi-level collective bargaining. This was a view that was shared not only by unions but also by some employers' associations; the regulatory changes in both employment protection legislation and collective bargaining were here interpreted as a 'means of transferring the crisis to the real economy'.²³⁷

Empirical evidence suggests that the Greek labour market underwent significant transformation in terms of the use of atypical work. Firstly, there was an acceleration of the use of instruments introduced in the pre-crisis period to increase labour market flexibility. In this respect, the use of outsourcing increased significantly during the crisis and was used by a number of companies in our study (e.g. LargeRetail&OtherServicesCo, LargeMetal, LargeFood&Drinks). Despite other changes in employment protection legislation (including extending the probation period and increasing the scope for atypical employment), LargeOtherServices2Co, which offered labour outsourcing services, experienced a significant surge in its business activity. The surge in labour outsourcing services was interpreted by management as a means by the clients of LargeRetail&OtherServicesCo to reduce their responsibilities vis-à-vis their directly employed workforce and to benefit from specialised support for recruitment.²³⁸ On the union side, the increased use of labour outsourcing by the clients of LargeOtherServices2Co was attributed not only to management incentives on the part of the company's clients to cut labour costs (often by bringing down wages to NMW levels even in respect of skilled workers) and increase profit margins but also to reduce trade union influence.²³⁹ Against this context, challenges were reported in terms of fragmented trade union representation and collective bargaining coverage in these cases, increasing hence the risk of workplace conflict.²⁴⁰

The most prominent examples of atypical work concerned though the case of part-time and short-time work, whose use became generalised across many sectors during the crisis. Empirical evidence on the incidence of atypical forms of employment suggests a sharp increase among workers recruited during the crisis period (table 6.15): in 2015, the rate of atypical forms of employment among recruited workers stood at around 55%.

²³⁷ GSEVEE and ESEE, interview notes.

²³⁸ LargeOtherServices2Co management, interview notes.

²³⁹ LargeOtherServices2Co trade union, interview notes.

²⁴⁰ LargeRetail&OtherServicesCo management, LargeOtherServices2Co and LargeFood&DrinksCo trade union, interview notes.

Table 6.5 Recruited workers according to type of employment contract (2009-2015)

Year	Recruited workers according to type of employment contract					
	Full-time work	Part-time work	Short-time work	Total of recruitments	Sum of part-time and short-time work	Share of atypical contracts as % of total
2015	805.064	677.521	326.967	1.809.552	1.004.488	55,5
2014	775.221	566.373	224.545	1.566.139	790.918	50,5
2013	593.337	412.019	101.868	1.107.224	513.887	46,4
2012	375.843	241.985	66.615	684.443	308.600	45,1
2011	460.706	233.558	68.300	762.564	301.858	39,6
2010	586.281	228.994	60.677	875.952	289.671	33,1
2009	746.911	157.738	40.489	945.138	198.227	21,0
Difference 2009-2015	58.153	519.783	286.478	864.414	806.261	
Difference 2009-2015 (%)	7,79	329,52	707,55	91,46	406,74	
Difference 2014-2015	29.843	111.148	102.422	243.413	213.570	
Difference 2014-2015 (%)	3,85	19,62	45,61	15,54	27,00	

Source: Ergani, Ministry of Labour and Social Security, analysis by INE GSEE (2016).

Increased recourse to atypical work in recruitments was combined with increases in the conversion of full-time employment contracts to part-time and short-time ones (table 6.6). Despite the statutory reduction of NMW levels in 2012, the rate of conversion of full-time contracts to part-time and short-time ones was higher in 2012 (in comparison to the period 2009-2010); while it was reduced in 2013-2014, it then increased again to 57.251. According to calculations by INE GSEE (2016), the total percentage of conversion of full-time contracts to part-time and short-time work in the period 2009-2015 stood at 237%.

Table 6.6 Conversion of full-time employment contracts to atypical forms of employment (2009-2015)

Year	Conversion of full-time employment contracts to:					
	Part-time work	Short-time with employee consent	Short-time work unilaterally by the employer	Short-time work total	Conversion total	Percentage rate of short-time work in conversion total
2015	30.928	15.641	10.682	26.323	57.251	46
2014	25.488	12.405	7.896	20.301	45.789	44
2013	28.410	14.258	15.386	29.644	58.054	51
2012	49.640	21.478	13.372	34.850	84.490	41
2011	32.420	19.128	7.414	26.542	58.962	45
2010	18.713	6.527	1.013	7.540	26.253	29
2009	12.219	4.146	612	4.758	16.977	28
Difference 2009-2015	18.709	11.495	10.070	21.565	40.274	54
Difference 2009-2015 (%)	153,11	277,26	1645,42	453,24	237,23	
Difference 2014-2015	5.440	3.236	2.786	6.022	11.462	53
Difference 2014-2015 (%)	21,34	26,09	35,28	29,66	25,03	

Source: Ministry of Labour and Social Security, ERGANI, analysis INE GSEE (2016)

The company case study findings confirm that employers in manufacturing made extensive use of atypical work to respond to the initial fall and subsequent fluctuation in demand during the crisis. These adjustments included short-time working schemes, including reduced working week and temporary lay-offs, increasing use of part-time work and conversion of full-time into part-time contracts. Among others, significant increases in short-time work, seasonal, fixed-term and part-time work were reported by both

employer and union representatives in metal.²⁴¹ Importantly, no such forms of work were used in the pre-crisis period, indicating thus a considerable shift in employment practices during the crisis period. In the service sector, retail was one of the sub-sectors where the conversion of full-time employment contracts to part-time and short-term work increased substantially. According to the 2015 report by ESEE, while during the second quarter of 2008, the share of part-time was 4.5%, in the second quarter 2015 it reached 10.6%; the change was due to an increase in the number of part-time workers by 31,429 people (ESEE 2015). In hotels, increased use was made of the apprenticeship schemes, albeit with some evidence of reduction following the introduction of lower NMW levels for workers under 25 years' old that led to the recruitment of young workers (e.g. MediumHotel1Co).

Whilst these developments characterised the broad employment relations landscape during the crisis, there was significant differentiation in terms of the use of atypical forms of employment depending on the firm size, with large firms using increasingly atypical forms of work²⁴² and SMEs having recourse to under-declared, undeclared work and other types of informal work. For instance, a significant number of full-time contracts were converted to part-time and short-time contracts in LargeOtherServices2Co, which provided labour outsourcing services to clients; management though acknowledged simultaneously the impact these practices had on labour intensification.²⁴³ In SMEs, the increase in under-declared and undeclared forms of work and its implications for employment rights and social security protection were a case for concern for trade unions:

'Workers do not declare their work, because they are concerned about maintaining their jobs and not about social security. And many times, when workers do not declare their work they do this under the order of their employer'.²⁴⁴

The phenomenon of informal work could be contained by more robust monitoring and enforcement mechanisms. However, on the one hand, low union density and employee representation fragmentation acted as obstacles to the effective monitoring and enforcement of labour rights. On the other hand, the cuts in the funding of state enforcement authorities (the Labour Inspectorate) resulted in a reduction of inspections and problems of ineffective controls were reported by a number of trade union interviewees as well.²⁴⁵ The suspension of the extension mechanisms of higher-level collective agreements was relevant here. Firstly, evidence from our company case studies (SMEs) suggests that the displacement of collectively-agreed standards by individual negotiations between employers and employees provided extensive scope for informal pay arrangements. Secondly, the increasing in frequency, practice of non-disclosure on the part of employers in respect of whether they were members or not of the employers' associations constrained the scope for the monitoring and enforcement of labour standards, set by higher-level agreements, by individual employees and even the Labour Inspectorate.²⁴⁶

The increase of atypical work in the Greek labour market since the start of the crisis has been combined with a significant increase of precarious conditions of individuals employed on the basis of standard employment contracts, i.e. an open-ended and direct employment relationship. Evidence, among others, of significant delays in the payment of wages and salaries, intensification of work, working time abuses and reduced job security was found in all sectors that we examined in the study. A number of factors accounted for this, including the reduction of employment protection legislation and especially the reduction of rights in the case of dismissal (reduction of dismissal costs), the significant increase of

²⁴¹ POVAS and POEM, interview notes.

²⁴² SELPE, interview notes.

²⁴³ LargeOtherServices2Co management, interview notes.

²⁴⁴ POEM, interview notes.

²⁴⁵ GSEE, POEM, POEE-YTE and OIYE, interview notes.

²⁴⁶ GSEE and OIYE, interview notes.

unemployment in the labour market and the problems in the monitoring and enforcement of labour standards, including collective agreements. In the service sector (including restaurants and retail), reports of abuse were provided by trade union representatives, suggesting that in many cases employers relied on the legislative measures to promote wider changes in the employment contracts, e.g. in respect of working time and performance of work. Further challenges were identified, involving the incorporation of non-compete clauses in employment contracts (in cases of non-skilled workers), the right of the employer to proceed unilaterally to variations in terms of the location and nature of duties as well as the prohibition of the exercise of the right to work stoppage in case of wage payment delays (e.g. LargeRestaurantsCo).²⁴⁷

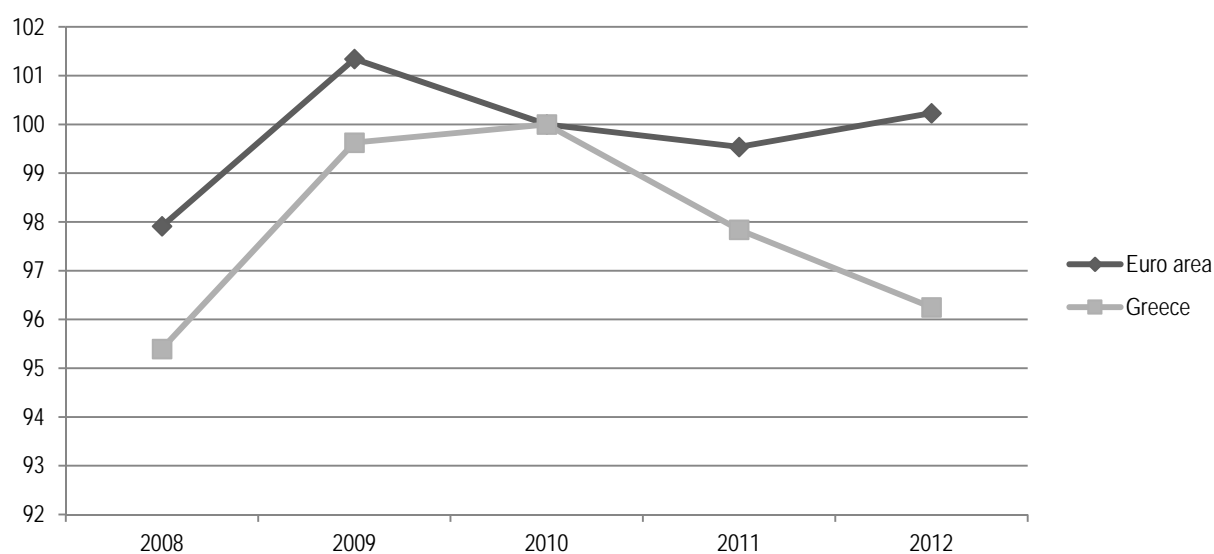
Some evidence of limits in the deployment of such practices was found in companies with established trade union representation. For instance, in LargeOtherServices1Co, the 2013 collective agreement provided that the employer had the right, upon though employee consent, to transfer internally the employees in different posts and to maintain wage levels in case of differences between the posts. Use of this provision was made by management reducing reportedly the scope for dismissals. In the same case study, there was also some evidence of consensus between the parties in respect of the use of temporary agency workers by the company. The 2015 collective agreement reduced the time needed for the conversion of temporary agency contracts to open-ended ones, from 36 to 30 months, and the 2016 agreement reduced it even further to 28 months. In practice, half of the temporary agency workers benefited from the provisions and their contracts were converted to open-ended with the end user in 2016. Furthermore, an informal agreement was made in 2016 providing that the 5% bonus payments would also apply to temporary agency workers.

6.4. Sector and firm competitiveness

One of the objectives of the economic adjustment programmes undertaken by Greece was restoring international competitiveness to promote sustainable long-term growth. In this regard, reducing unit labour cost (ULC) has been a key policy intervention. In fact, divergences in ULC between Greece and other developed countries, which emerged during the early 2000s, were seen as one of the main drivers of international competitiveness differentials (for an analysis see, ILO 2014). In particular, rigid labour markets and wage increases – in excess of productivity growth – were regarded as the main causes of rising ULC during this time (see, for example, IMF 2013). It was postulated that the wage bargaining framework in the pre-crisis period and in particular the automatic extension of collective agreements meant wages could not adjust to firm-specific needs and productivity developments, and that new firms could not gain a foothold from incumbents by lower wage costs (OECD 2016). A series of reforms – ranging from minimum wage setting to changes in employment protection and collective bargaining legislation (see above section 2) – were implemented exactly with the aim of facilitating the adjustment process. As a result, real UCL fell in the period between 2009 and 2016 (figure 6.16).

²⁴⁷ POEE-YTE and LargeRestaurantsCo trade union representative, interview notes.

Figure 6.16 Real unit labour costs



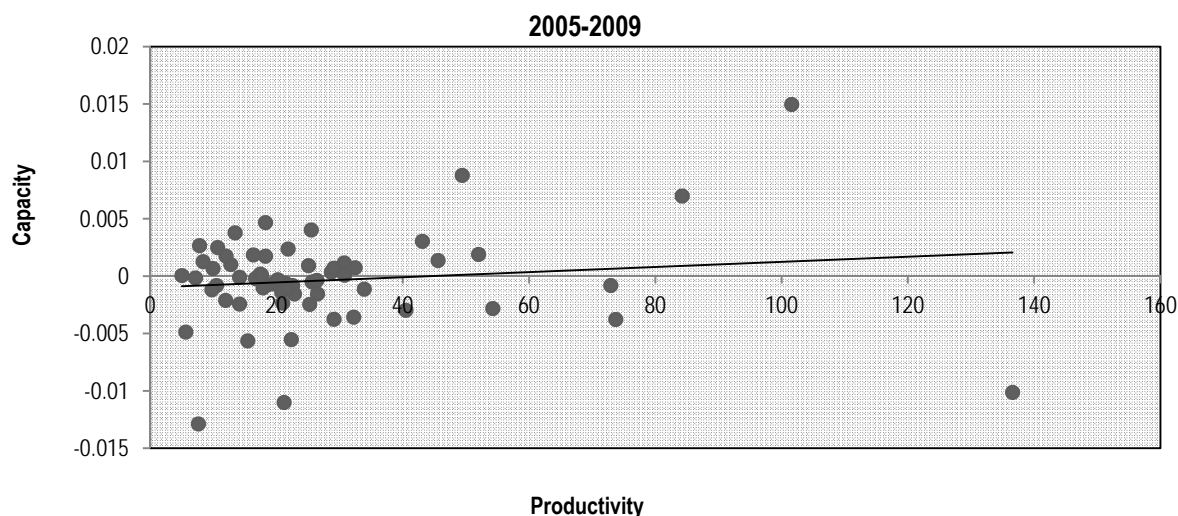
Source: Ameco; authors' original compilation.

However, the ULC decline, because it was the result of price and wage changes and not productivity improvements, did little to restore the fundamental sources of external competitiveness. Importantly, in the case of Greece exports of goods used to concentrate on capital-intensive sectors, in which labour costs represent a relatively marginal proportion of costs, and in services, demand for which is not very price-elastic (European Commission 2010: 21). Furthermore, the Greek economy was relatively closed, with exports a small proportion of its GDP. As such, policies that would put pressure on wages were likely to have only a small effect on price competitiveness and such effects would at best have only a very limited positive impact on aggregate demand. Indeed, the latter could reasonably be expected to be dampened further as the downward pressure on wages would reduce disposable income and consumption (Theodoropoulou and Watt 2015). The fact that the reforms have delivered less growth than expected, or when compared to other European countries that underwent significant adjustment and reforms in recent years was also recognised recently by the OECD (2016).

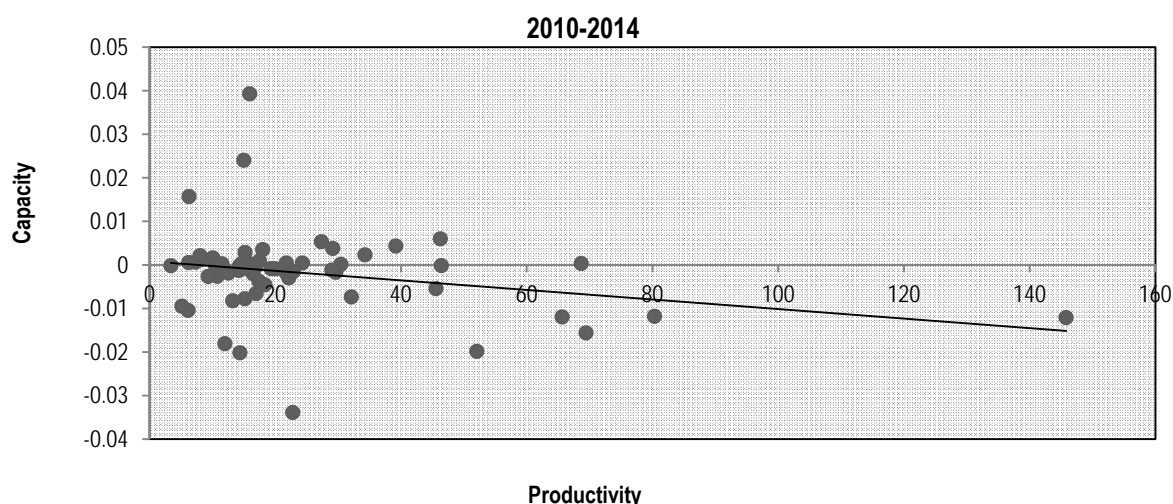
While most advanced economies recovered to their pre-crisis level of competitiveness, Greece, in the 81st place, is the least competitive economy of this group. In the 7th pillar on 'labour market efficiency', Greece stood at the 116th place. In the area of cooperation in labour-employer relations, it stood at the 107th place and in the area of flexibility of wage determination it stood at the 115th place. In a similar vein, the 2016 'Doing Business' report placed Greece at the 60th place among 189 countries (the ranking for 2015 was 58th place), with the fall being attributed to the reform fatigue and the inability to access credit (World Bank 2016). Figure 6.17(a) and (b) provides an illustration of the relationship between productivity and capacity of the Greek economy before and after the crisis. In the period 2005-2009, there was no correlation between productivity and capacity. However, the relationship turned negative in the crisis period. This means that the sectors of the Greek economy, which presented improvements in capacity, were mainly those characterized by low productivity, a development that would potentially lead to even greater divergence between the Greek and the Eurozone economies (INE GSEE 2016: 165).

Figure 6.17 The relationship between productivity and capacity of 61 sectors of the Greek economy (2005-2014)

(a) 2005-2009



(b) 2010-2014



Source: INE GSEE (2016).

Our qualitative research highlighted a number of issues with regard to the relationship between the ‘structural labour market reforms’ and competitiveness. Firstly, the contribution of labour costs in improving firm and sector competitiveness during the crisis was disputed by a number of interviewees representing employers and employees alike. Instead, the biggest factor contributing to the hampering of positive developments in competitiveness and growth, identified by a number of employers’ associations,²⁴⁸ was in respect of taxation and social insurance contributions. Evidence from our company case studies in the restaurants’ sector illustrates these issues. According to management in LargeRestaurantsCo, it was the steep and frequent changes in taxation, predominantly increases (from 9 % to 11%, 13%, 23%, 13%, 23% and 24%) that affected the competitiveness of companies in the restaurants sector. The interim decrease, that is from 23% to 13%, improved reportedly company revenues significantly and led to the reduction of dismissals, but it was recognised that wage reductions and job

²⁴⁸ GSEVEE and ESEE, interview notes.

losses were used as means to respond to pressure in light of increases in taxation.²⁴⁹ Even in the hotel sector, which saw improvements in growth during the crisis, the lack of a direct link between the changes in collective bargaining and the increases in the competitiveness of the hotel sector during the crisis was noted by employers.²⁵⁰

On the part of unions, the linkages between labour costs and competitiveness, as articulated by the economic adjustment programmes, were seriously questioned and rejected.²⁵¹ Instead, the lack of competitiveness of the Greek economy was attributed on other structural factors, including the high rate of inflation that was fuelled by high profit margins and the oligopolistic nature of the markets, the introduction of Euro, the chronic problems in public management and infrastructure, as well as the absence of middle and long-term strategies on the part of the state but also on the part of employers to proceed to structural changes regarding the productive model of the economy with an emphasis on labour productivity and the quality of products and services.²⁵² In this respect, the fluctuations in non-labour costs and taxation as well as the frequent regulatory interventions in labour law affected further business organisation and ultimately growth, as they reportedly inhibited organisational planning and increased transaction costs. Against this context, the need for regulatory stability was mentioned by a number of company-level interviewees both on the management and employee side.²⁵³

Secondly, employers' associations representing mostly SMEs (i.e. ESEE and GSEVEE) stressed the negative impact of the 'structural labour market reforms' on aggregate demand. In light of the domestic demand-driven model of the Greek economy, the reduction of the NMW rates through statutory intervention was considered one of the main factors sustaining and furthering the economic recession.²⁵⁴ This view was also echoed in some of the interviews with management at company level (e.g. LargeRestaurantsCo, MediumRestaurantsCo, MediumRetailCo). In a recent analysis, Müller et al (2015) criticised the narrow concept of competitiveness, whereby the focus is exclusively on labour costs regardless of the structure of real economy, of non-price factors and the loose relation between wages and export performance. The narrow treatment of wages as cost factor highlights ignorance of the role of wages for domestic demand and a wage-led demand growth model (Müller et al 2015). In this respect, the role of the export sector for the overall economic development has been also over-estimated. However, there is no evidence of change in the underlying principles behind the measures included in the loan agreement and accompanied MoU of July 2015, as these are in line with the continuation of deflationary fiscal austerity policies. As a result, the prospects of attaining sustainable primary surpluses and thereby of exiting from the crisis remain negative (Theodoropoulou 2016).

Thirdly, the growing cleavage between firms that applied higher-level agreements or entered into company-level agreements and those that used the NMW levels was an issue for significant concern in terms of unfair competition between employers. Concerns were expressed by employers where higher-level agreements were renewed (e.g. hotels) but also by employers not currently covered by such higher-level agreements (e.g. in retail). In the hotel sector, management expressed preference for re-instating the extension mechanisms for higher-level agreements as a means for limiting the growth of unfair competition between employers.²⁵⁵ In retail, management (e.g. in MediumRetailCo) considered excessive the NMW reductions and emphasised that in the absence of a sectoral agreement and the increase in business taxation and social security contributions, a number of employers in the sector resorted to significant wage reductions and the use of informal forms of work, affecting hence the nature of

²⁴⁹ LargeRestaurantsCo management, interview notes.

²⁵⁰ POX, interview notes.

²⁵¹ GSEE, POEE-YTE, OIYE, POEM, OVES, interview notes.

²⁵² POEE-YTE, interview notes.

²⁵³ LargeRestaurantsCo, LargeOtherServices2Co, MediumRetailCo, management interview notes.

²⁵⁴ ESEE, interview notes.

²⁵⁵ MediumHotelCo management, interview notes.

competition between firms. Against the context of employer recourse to NMW levels and the use of individual negotiations, the preservation of company-level bargaining in some companies (e.g. LargeRetailCo) was actually seen as maintaining and entrenching the competitive advantage of these companies; besides, it was also argued that it had a positive effect on employee commitment and thus productivity and growth.²⁵⁶

Finally, evidence of ‘regulatory indeterminacy’ (Deakin and Sarkar 2008) was provided in respect of employer reliance on undeclared/under-declared labour and wages, a development which was attributed primarily to the increase in the use of individual negotiations as a means of adjusting to the changes during the crisis and the level of economic insecurity experienced by individuals.²⁵⁷ A number of sectoral level actors noted that many employers agreed nominal wage cuts down to the NMW levels but maintained the pre-crisis wage levels informally.²⁵⁸ It was reported that individual agreements were used especially by small employers, creating then distortions in the market.²⁵⁹ Indeed, evidence from our case studies suggests that a number of companies in manufacturing but also in services resorted to such practices during the crisis (see, among others, SmallMetal1Co, SmallMetal2Co, SmallFood&Drinks2Co and ConfectionaryProduction&RetailCo).

6.5. Summary

Evidence from our company case studies as well as the sectoral interviews suggests that four sets of responses were developed in light of the crisis and the structural labour market reforms. These involved the following:

- i. *Dualist response*: tacit compliance with the terms and conditions of expired agreements for incumbent employees coupled with the use of the NMW for newly recruited employees (including sub-minimum statutory rates for young workers);
- ii. *Shared pain*: wage cuts for all employees, although not down to the levels of the NMW, coupled in some cases with the use of NMW for newly recruited employees (including sub-minimum statutory rates for young workers);
- iii. *Aggressive cuts*: unilateral management action, threat of dismissal or negotiation with ‘associations of persons’ as a means to drive down wages to the NMW levels; and
- iv. *Rule dodging response*: reducing formal conditions to the NMW levels and providing additional, undeclared payments.

There was some evidence to suggest that employer responses varied by sector and firm size, as well as by the presence and form of trade unions at company level and that the employer and trade union strategies conditioned their mutual preparedness and capability to secure negotiated changes to wage-setting mechanisms in order to respond to the deepening of the economic crisis. But it was the legislative changes that provided the main drivers for wage developments and the regulation of other employment issues.

In this respect, it was the configuration of the legal/institutional environment, as reframed in the context of the ‘structural labour market’ reforms, and the economic environment in which employers bargained over wages that brought about a fundamental reshaping of the labour market in Greece. The interplay between the statutory intervention and subsequent reduction in the NMW levels, the changes in the structure of collective bargaining and the deepening of the economic crisis foreclosed in effect the scope for relying on joint regulation to develop an integrated approach towards sustainable growth and labour

²⁵⁶ LargeRetailCo management, interview notes.

²⁵⁷ ESEE, interview notes.

²⁵⁸ GSEVEE, ESEE, OIYE, POEE-YTE, POEM interview notes.

²⁵⁹ SEV, interview notes.

market inclusiveness. In the absence of effective coordination and articulation involving higher-level collective agreements, the extent of integrative trade-offs was reduced at company level and evidence of such trade-offs was only provided in companies with established trade union representation. But even in such cases, there was evidence to suggest that the scope of the bargaining agenda became narrower, as it focused progressively more and more on wage issues to the detriment of wider issues that would have promoted a more inclusive and sustainable path towards recovery, including for instance policies related to skill development, training and equality (see also Koukiadaki et al. 2016a and 2016b). The lack of attention to such issues reflected both the absence of higher-level consultations, where such question of such trade-offs could be perhaps best tackled, and the increasing evidence of labour market informality that characterized employment practices across all sectors.

In terms of labour market performance and productivity, there is no observable evidence to date to support the view that the structural labour market reforms are delivering in these areas. First, in terms of labour market performance, unemployment rates, especially among young people, continue to be staggeringly high and the recent reduction of the rate seems to reflect the minor improvement in the macro-economic conditions of the economy but also masks the significant increases in atypical forms of employment. In respect of the latter, the findings indicate in the absence of a legal/institutional framework that would promote the use of complementary regulatory mechanisms, including collective bargaining, to normalise and protect precarious forms of work, the landscape of employment has been altered fundamentally since the start of the crisis. In a similar vein, recent research also confirms that the recent regulatory reforms directed towards increasing labour market flexibility deteriorated labour and devalued atypical employment (Koukiadaki and Kokkinou 2016c, Gialis et al. 2015). But deterioration of working conditions is also evident in the case of individuals in a standard employment relationship, i.e. direct and open-ended employment contracts: as such, the interaction between low wages, increasing inequalities between workforce groups and the breakdown of collective bargaining has resulted in a blurring of the divide between those in standard employment relationships and not those on atypical forms of employment. Finally, the policy interventions towards promoting a decline of ULC did little to restore the fundamental sources of external competitiveness. Instead, evidence of ‘regulatory indeterminacy’ (Deakin and Sarkar 2008) was provided in the forms of increases in undeclared and under-declared payments, a development with repercussions not only for the purchasing power and social protection of employees, the nature of competition between employers but also for the sustainability of social security schemes and state revenues.

7. Conclusions and recommendations

The analysis above mapped the impact on the system of collective bargaining in Greece of the ‘structural labour market reforms’, covering the 2010-2016 period. The main changes in the legal system governing collective bargaining and collective agreements took place in 2010 (Law 3845, Law 3871, Law 3899), in 2011 (Law 4024), in 2012 (Law 4046, Ministerial Council Act 6/28-2-2012, Law 4093), in 2013 (Law 4172), in 2014 (Law 4254, Law 4303) and in 2015 (Law 4336). The impact was mapped with regard to the process, character, content and outcomes of collective bargaining. In the pre-crisis period, the main features of the collective bargaining system in Greece included a high bargaining coverage, average coordination levels both vertically (i.e. across different levels) and horizontally (i.e. across different sectors and regions) and the prevalence of multi-employer bargaining. The system was supported by the legal framework, which provided a range of legal/institutional incentives that persuaded the parties to negotiate collectively and regulate jointly wages and other working conditions. This support was based on the understanding shared across the state and the social partners that collective bargaining was fundamental for the economic and political development of Greece and essential in creating a framework for the development of democratic dialogue and stability in a society characterised by high levels of conflict. It ensured some degree of common interest and created a common set of labour standards, meaning that competition was directed to long-term forms of investment and organisational considerations (see also Koukiadaki et al. 2016a).

The empirical evidence suggests that the bargaining system experienced wide-ranging and extensive changes during the crisis. In terms of the impact of the changes on the structure of bargaining, the findings confirm the significant extent of bargaining contraction and decentralisation. As the trend for decentralisation was led by the state intervening in the legislative framework for collective bargaining, which opened the way for employers to defect from multi-employer bargaining arrangements, the process was one of ‘*disorganised decentralisation*’ rather than ‘*organised decentralisation*’, i.e. multi-employer bargaining arrangements at (inter) sectoral level being increasingly replaced by single employer bargaining or individual negotiations and even unilateral employer action as the dominant mode of determining wages and terms and conditions (Traxler 1995).

In relation to this, collective bargaining coverage also reduced significantly from around 70% to 10%, and the declining rate of coverage now suggests that it is converging on union density. From a legal perspective, the extensive decline of the bargaining coverage may result to a situation of non-conformity with the (revised) European Social Charter.²⁶⁰

The empirical evidence suggests that the new model of bargaining that is emerging lacks regulatory stability and certainty for employers and employees alike, impacting upon long-term investment decisions on the part of employers and upon the protection of working and living conditions on the part of employees. Ultimately, the nature of collective agreements has shifted ‘*from public goods with inclusive regulatory coverage of industrial/occupational workforces to private goods with exclusive regulatory coverage within those enterprises where unions are still recognised*’ (Marginson 2014). In effect, the

²⁶⁰ The European Committee of Social Rights has considered that if the coverage is extremely weak (e.g. 20%) , a situation of non-conformity does arise (ECSR, Conclusions XIX-3, 3 December 2010 (Latvia) and Conclusions, XX-3 (Latvia); See also ECSR, Conclusions; 22 October 2010 (Bulgaria) and ECSR, Conclusions XX-3 (Bulgaria), where a situation of decrease of coverage towards 30 % is being described; ECSR, Conclusions 2010, 22 October 2010, (Lithuania) (less than 20 %); Conclusions XX-3 (Lithuania) Conclusions XX-3 (Estonia) (coverage of 33%), Conclusions XX-3(Hungary) (coverage of 33,6%). On this, see Dorsemont (2016).

displacement of associational rules by the current legislation governing the collective bargaining system points to significant dysfunctionalities and to the emergence of a *'poorly governed'* bargaining system.

In terms of outcomes, it is possible to distinguish between formal outcomes (i.e. number and length of collective agreements) and material outcomes regarding issues, among others, of pay and working time. In terms of formal outcomes, the most obvious finding is the drop in the overall volume of bargaining, as the parties find it difficult to agree in the absence of legal institutional incentives that persuaded them in the past to reach an agreement. Evidence of a narrowing bargaining agenda was also provided, focusing on short-term labour cost reductions and disregarding wider issues that could have assisted in the exit of the Greek economy from the crisis. In terms of material outcomes, the changes in the regulation of collective bargaining, which were aimed at facilitating wage adjustments, did not constrain the need for employment adjustment. In effect, under the new legal/institutional conditions, companies proceeded to both significant wage reductions and workforce reductions. Equally importantly, the rapid decentralisation seems to have promoted unfair competition between employers on the basis of wage costs. This in conjunction with increases in social and tax security contributions have aggravated the problem of undeclared payments, especially in small companies, where trade union structures have been traditionally absent. Overall, the findings strongly challenge the effectiveness of the measures in terms of adjusting labour costs through price rather than dismissals and informality. In a similar vein, a recent ILO report, endorsed by Government and social partners and validated in a tripartite meeting on undeclared work in Greece (2016), reported:

'Across the stakeholders interview, there is a consensus that the extension of collective agreements, which was banned by Law 4024/20111, article 37, be reinstated (as it was provided by Law 1876/1990), as the suspension of the extension of collective agreements allows some employers to pay a legally minimum salary even to specialized workers, and give an envelope wage to supplement the wage of the competitors.'

Aside from the fact that the changes have promoted disorganised bargaining decentralisation, they have also enabled the development of a *'disorganised' industrial relations system* at broad level. Drawing on Höpner's work, Streeck (2009) differentiated between coordination and organisation: organisation is defined as the existence of political institutions above the enterprise level capable of exercising public control over private business and strategic coordination as nonmarket governance of economic transactions. On account of the employers' defections from their associations, the rise of unilateral employer decision power and the low union density and fragmentation of worker representation, the Greek system of industrial relations would seem to be a case across both dimensions, i.e. characterised by both low coordination and organisation. Indeed, the measures have affected significantly both the positions of the actors within the industrial relations system as well as their relationship with each other and the state. Apart from constraining the role of the industrial relations system in supporting democratic social dialogue in Greece, the new legal framework, as determined in the crisis period, inhibits the scope for joint regulation and reduces hence the extent to which employers and trade unions alike could develop jointly initiatives for the re-definition of the bargaining agenda in order to respond to the crisis and anticipate and manage change in the future. Ultimately, the 'structural labour market reforms' fail to take into account the enduring role of collective bargaining in dealing with the structured antagonism built into the employment relationship, with any unity and co-operation being built on uncertain foundations and with the creation of consent being inherently partial and uncertain (Edwards 2003). This has implications not only for the effective management of conflict but also for balancing the needs of workers and securing organisational commitment with a view to increasing productivity and ultimately growth for the Greek economy.

Drawing on the tradition of consensus between the national social partners, as illustrated in the adoption of Law 1876/1990 that set out the modern legal framework for collective bargaining, it is crucial that similar processes for the development of deliberation and dialogue between the parties are promoted afresh with a view to developing a ‘well-governed’ bargaining system. Collective bargaining has for workers a *protective* function (guaranteeing adequate pay and decent working conditions), a *voice* function (permitting the expression of interests) and a *distributive* function (securing a share in economic growth and the fruits of productivity) (Visser 2013b). But employers can also benefit from collectively agreed solutions because even when these involve negative outcomes for workers, their involvement in the design of the solutions can help prevent the decrease of trust, morale and commitment that unilateral decisions by management can generate (Marginson et al. 2014). Even new institutional theorists (Simon 1951) have accepted that certain constraints, including importantly collective bargaining, need to be in place in order to build a ‘*relationship of confidence*’ between the employer and the worker and ‘*collectivising the employment relationship*’ would attenuate contractual risks arising from bounded rationality and the danger of opportunism (Williamson 1975) (for a review, see Deakin 2016).

On the part of the state, collective bargaining replicates the role assigned to the state in the classics of liberal political theory, namely to manage and contain conflicts inherent in the sphere of social and economic activity (Klare 1981). The role of collective bargaining becomes even more important in light of the increase in labour market fragmentation in the Greek labour market (Koukiadaki and Kokkinou 2016c). The most successful and enduring policies for dealing with precariousness are those that shift the focus of reform away from the deregulation of employment protection law to the use of a range of complementary regulatory mechanisms, including collective bargaining, to normalise and protect non-standard and precarious forms of work (Adams and Deakin, 2014: 781). The above considerations illustrate that multi-employer collective bargaining is crucial in acting as a mechanism of ‘*beneficial constraint*’ (Streeck 1997) and that it is ultimately compatible ‘*with the goals of promoting sustainable and inclusive growth*’, as set out in the MoU of July 2015.

On the basis of the above considerations, the willingness of the social partners but also the government to consider action towards restoring collective bargaining but also the goals, as set out in the Euro Summit Statement and the MoU, regarding the promotion of sustainable and inclusive growth, there should be a re-adjustment of public policies in the area of labour market regulation towards promoting social dialogue and collective bargaining as part of the solution steering Greece out of the economic crisis. In this respect, consideration should be given to the commitment of the Greek authorities ‘*to bring collective bargaining in line with best practice in the EU*’, outlined in the MoU of 2015. As argued in a separate ILO report on the regulation of collective dismissals (ILO forthcoming), the idea of ‘*best practices*’ is intrinsically riddled with normative and analytical ambiguities:

‘[W]hat amounts to a specific ‘good practice’ in the German industrial relations context may not be transferable to other realities, such as for instance the Greek one. This may be due to the fact that Greece does not share a similar industrial relations tradition or a similar industrial and economic base, or more crudely to the fact that the institutions or political and social consensus that underpin a particular ‘practice’ in Germany simply do not exist in Greece. Therefore, the idea of replicating specific best practices of other EU countries in Greece is hardly a straightforward one’ (ILO forthcoming: 10-11).

Indeed, the difficulties in ‘replicating’ or transplanting specific labour law solutions across different countries are exemplified aptly when examining the impact of the recent ‘structural labour market reforms’ directed towards the regulation of collective bargaining. In promoting the move of the Greek bargaining system closer to the single-employer bargaining models that exist in the UK and a number of

Central and Eastern European countries, the measures have brought about not only a weakening of the ‘real efficacy of collectively agreed standards’ (Hyman 2015: 6) but also contrast with core features of the economic system in Greece, increasing transactions costs and affecting the informal trust relations, which require a stable and predictable environment, particularly in SMEs, (Meardi 2012: 77) and ultimately destabilising the economic and social fabric of the country.

Having emphasised this preliminary but important issue, a different way of looking at the issue of ‘best practices’ would involve considering some generally accepted principles of good industrial relations and collective bargaining, understood here as ‘good practices’ or ‘good principles’ (see also ILO forthcoming). These could be considered by the parties and the authorities when reviewing the existing labour market framework and contemplate further reforms in this area. As the first signs of the exit from the global crisis have begun to emerge (or so it currently appears), attention should be directed towards considering how to develop better links between wage and productivity growth that promote both fairness but also sustain domestic demand. As Ioannides and Pissarides (2015: 364) argued recently,

‘Labor market reforms have been given greater priority in Greece than product market reforms, mistakenly in our view. Whether this was because successive Greek governments found it easier to reform labor markets than product markets or because the troika insisted on them is a moot point. The sequencing of reforms brought about the large fall in wages ahead of any price adjustment, with the demand [contraction] consequences that we have outlined.’

Attention to these issues would in turn involve a more supportive environment to collective bargaining and the strengthening of wage setting institutions that protect the most vulnerable workers but also employers from unfair competition. When considering the pre-conditions for well-governed bargaining systems, governability matters as much as horizontal coordination (Traxler et al. 2001). On vertical coordination/articulation or governability, our evidence suggests that the opening up of company agreements with ‘associations of persons’ did not include any consideration of vertical articulation or the effect such policies would have on coordination as well on independence and competence of non-union actors, as highlighted by the ILO as well. Given the emphasis at this stage on more decentralised bargaining, mechanisms for stimulating company-level negotiations in ways that are more consistent with governability could be considered. In this respect, arrangements elsewhere in the EU include the procedures for *mandatement* introduced in the mid-2000s in France, where union density within companies is relatively low (although higher than in Greece); the Italian case, where second-tier bargaining over performance and productivity can take place on a territorial basis (i.e. between trade unions and territorial employers’ organisations) in absence of union organisation within companies, which may be closer to the Greek tradition; and finally, the Netherlands, where there are separate sector agreements for larger and smaller employers in at least some sectors (e.g. metalworking): the one for larger employers anticipates subsequent negotiations at company level and as such its role is directed towards setting out a framework for company-level negotiations.

In the context of Greece, consideration could be further provided for the development of agreements on opening clauses that would allow derogations from higher-level agreements at company level. But it is crucial to emphasise here that in line with good practice elsewhere in Europe, it should be up to the social partners to agree on such clauses and strict procedural conditions should be attached in respect of the circumstances under which companies could introduce different provisions (e.g. when in financial distress), the duration of the derogations, which should only be temporary, and the authorisation procedures in such cases (involving the approval of unions and employer associations who were party to the higher-level agreements). These changes should be accompanied by the statutory re-instatement of

the favourability principle with a view to reducing the poor governability of the current bargaining system.

As argued in section 3, extension mechanisms are related to vertical coordination/governability in a different sense and substantial research (Traxler 1995, 1998, 2003) points to the role of such mechanisms in buttressing well-governed, coordinated multi-employer bargaining systems. The role of extension mechanisms is particularly important where union density is not high and where the economy is characterised by a large number of SMEs lacking union representation, as in the case of Greece. The significance of extension mechanisms for the Greek system of collective bargaining is further increased in the current context, where the unilateral right to arbitration has been re-instated. As illustrated in the case of the hotel sector, the re-instatement of the unilateral right to arbitration, in the absence of extension, has provided greater incentives to some employers to the use of ‘associations of persons’ in order to introduce company-level derogations or to defect from their employers’ associations in order not to be bound by higher-level collective agreements/arbitration decisions. However, it is important to emphasise here that the issue is not only one of restoration of the extension mechanisms, but also facilitating their use and monitoring regularly how they are applied.

Further, emphasis should be placed on horizontal coordination of wage bargaining, especially given the fact that this is significant for economic performance during periods of crisis (Aidt and Tzannatos 2008). Attention to this would involve directing efforts towards developing pattern bargaining and peak-level coordination, which have been identified as the most effective mechanisms, provided these are accompanied by high governability (Traxler et al 2001). In this respect, peak-level coordination would be consistent with the tradition of bargaining coordination in the Greek system of industrial relations and would be in line with the consensus across the national-level social partners around the re-instatement of the regulatory functions of the national general collective labour agreement. In contrast, the scope for pattern bargaining would necessitate the identification of a possible lead sector in exports, e.g. metalworking for Germany and Sweden, arguably a more difficult task given the economic and industrial base of Greece.

Finally, as analysed in the report, more recent empirical evidence suggests that in certain circumstances the actions of distributional coalitions may be compatible with improved efficiency at the level of the firm and with enhanced economic performance at sector and national levels. Beyond the need to create and support a well-articulated system of bargaining, other complementary policies could promote a re-foundation of Greece’s industrial relations system. These would include first of all greater attention on the part of public policy makers to the involvement of industrial relations actors in the design, implementation and monitoring of labour market policies. Greater involvement of the social partners would need to be combined with the support of social dialogue institutions aiming at the development, among others, of a common vision of long-run economic policy, especially in the context of a centralised wage-setting system. Other complementary mechanisms, including the effective planning and operation of government tax policies and wage subsidy actions, as these influence the economic effects of wage bargaining, would be required. Moving forward, the reinvigoration of collective bargaining with the support of the social partners, the state, the EU institutions and the ILO, will be central to ensuring an equitable, job-rich and sustainable recovery in Greece.

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ANNEX

Case studies	Employers' association membership	Workforce size	Trade union presence	Employment relations	Impact of the economic crisis	Collective bargaining pre-crisis	Collective bargaining during crisis
LargeMetalCo	Yes (ENEPEM) ²⁶¹	584 employees	Company trade union	Adversarial and formal	Significant	Company-level collective agreement	2012 (2+1 years) company agreement with pay freeze ²⁶² and no redundancy clause
MediumMetalCo	No	155 employees	Company trade union	Rather cooperative and informal	Negative impact in 2007-2008 but no impact since then	Company-level collective agreement	Expired company agreement still informally applies
SmallMetal1Co (silversmith)	Yes (POVAKO) ²⁶³	7 employees	No company level union	Cooperative and informal	Significant	Coverage by higher-level agreements	No collective agreement applicable/individual negotiations with employees (pay freeze and nominal NMW reductions)
SmallMetal2Co (silversmith)	No	3 employees	No company level union	Cooperative and informal	Minimal	Coverage by higher-level agreements	No collective agreement applicable/individual negotiations with employees (pay freeze and nominal NMW reductions)
SmallMetal3Co (silversmith)	Yes (POVAKO)	1 employee	No company level union	Cooperative and informal	Significant	Coverage by higher-level agreements	No collective agreement applicable/individual negotiations with employees (pay freeze and nominal NMW reduction)

²⁶¹ Association of Metal Production and Processing Industries of Piraeus (*Ένωση Επιχειρήσεων Παραγωγής και Επεξεργασίας Μετάλλων*).

²⁶² The agreement stipulates that the sectoral collective agreement will apply to newly hired employees.

²⁶³ Panhellenic Federation of Silver and Goldsmiths, Jewellers and Watchmakers (Πανελλήνια Ομοσπονδία Βιοτεχνών, Αργυροχρυσοχών, Κοσμηματοπώλων, Ωρολογιοπώλων).

SmallMetal4Co (car repairs)	Yes (EOVEAMM) ²⁶⁴	2 employees	No company level union	Cooperative and informal	Significant	Coverage by higher-level agreements	2013 sectoral collective agreement (with pay freeze)
LargeFood&DrinksCo	Yes (SEV)	950 employees	Three site unions	Cooperative and formal	Considerable	Company-level agreement	2014 company collective agreement (pay freeze for most with minor pay increases in the case of low-paid employees)
MediumFood&DrinksCo	Yes (SEV)	259 employees	8 company unions for permanent staff plus 3 for seasonal workers	Initially cooperative but now adversarial	Significant	Company-level agreement	2012 company collective agreement (pay freeze)
SmallFood&Drinks1Co	Yes (SEV)	40 employees	No company level union	Cooperative and informal	Considerable	Coverage by higher-level agreements (sectoral agreement in food and drinks)	No collective agreement applicable/individual negotiations with employees (wage reduction to the NMW levels)
SmallFood&Drinks2Co	Yes (Federation of Cheese Producers) ²⁶⁵	10 Employees	No company level union	Adversarial and informal	Considerable	Coverage by higher-level agreements (sectoral agreement in food and drinks)	No collective agreement applicable/individual negotiations with employees (pay freeze and nominal reduction to NMW levels with NMW applicable in the case of seasonal workers)
MediumHotel1Co	Ex-member of the Association of Hotels in Heraklion	110 employees	No	Adversarial and informal	Some negative impact initially	Coverage by higher-level agreements (regional agreement in hotels in Heraklion)	No regional sectoral agreement applicable/individuals negotiations (10-12% wage reductions from previous regional sectoral agreement)

²⁶⁴ Singe Federation of Automobile, Machine and Motorcycle Repair Craftsmen (Ενιαία Ομοσπονδία Βιοτεχνών Επισκευαστών Αυτοκινήτων Μηχανημάτων Μοτοσυκλετών)

²⁶⁵ The federation did not conclude any collective agreements pre crisis and does not do so at present either.

LargeRetailCo	No	732	Yes (company union)	Adversarial and formal; evidence of cooperation more recently	No negative impact; growth in recent period	Company-level agreement	No sectoral collective bargaining applicable/company-level agreements (2012 and 2015) Wage reductions (9%) Differentiation between existing and newly recruited employees (but one-year limit on the differentiation) No changes in allowances provided by sectoral agreements
MediumRetailCo	Yes (SELPE)	185	No	Cooperative and informal	Negative impact	Coverage by higher-level agreements (retail agreement)	No sectoral collective agreement applicable/individual negotiations with employees and wage reductions (20%)
ConfectionaryProduction & RetailCo	No	14	No	Cooperative and informal	Some negative impact in 2010, positive results in 2011-2013, stability in 2014-15 and negative impact in 2016	Coverage by higher-level agreements (confectionary and retail sectoral agreements)	No sectoral collective agreements applicable/individual negotiations (nominal NMW reductions for all employees); 10% real wage reductions re existing employees and 600 Euros net real wages for newly recruited (no additional allowances/overtime pay)
LargeRestaurantsCo	Yes (SEPOA, SETE)	2,300 (group level)	No	Adversarial and formal	Significant (40% reduction in revenues)	Coverage by higher-level agreements (sectoral agreement in restaurants)	No sectoral collective agreement applicable/individual negotiations (wage reductions down to the NMW levels)

MediumRestaurantsCo	Yes (SEPOA, SETE)	170 (regular) and 250 (seasonal)	Company union	Adversarial and formal	Significant (loss of contracts)	Company-level agreement	No sectoral collective agreement applicable/company-level agreement (wage reductions of 10-20% in 2012-2013 and wage freeze in 2014-2015); simplification of allowances; wage reductions for seasonal workers (from 860 to 680 Euros)
LargeRetail&OtherServicesCo	Yes (SEV)	1630	Yes	Adversarial and formal	Some negative impact initially but now stability and growth	Company-level agreement	No sectoral collective agreements applicable/tacit application of expired company agreement (provision of allowances but in the form of discretionary benefits)
LargeOtherServices1Co	Yes (SEV)	253	Yes (two site-level unions)	Informal and adversarial until 2014 but cooperative and formal since then	Significant up to 2013; positive economic results since then	Company-level collective agreement	No sectoral collective agreement applicable/Company-level collective agreement (last in 2016); wage increases for low-wage employees; provision of annual bonuses on the basis of company profits; maintenance of allowances (with exceptions) on the basis of the sectoral agreement covering service-sector employees
LargeOtherServices2Co	Yes (SEV)	2000	Yes (since 2015)	Adversarial and informal	Minimal (increase in revenues but profit reduction)	Coverage by higher-level agreements (service sector)	No sectoral collective agreement applicable/individual negotiations (wages reduced down to the NMW levels)

SmallOtherServices Co	No	8	No	Cooperative and informal	Minimal	Coverage by higher-level agreements (service sector)	No sectoral collective agreement applicable/individual negotiations (pay increases of 2-3% but no provision of allowances)
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